EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

CAMPBELL SOUP

The new boss causes a stir

Page 21

FT No. 31,160

Wednesday May 30 1990

D 8523A

World News

Bhutto holds crisis talks in Sind after 170 killed

Pakistani Prime Minister Benazir Bhutto held crisis meetings in the Sind provincial capital Karachi as killings increased in the city and pressure grew for direct rule from Islamabad.

More than 170 people have died in Karachi and Hyderabad, 90 miles away, in four days of violence. Page 6

US visit postponed

South African President F.W. de Klerk, who was due to meet US President George Bush on June 18, announced he was postponing his visit to the US because of controversy about its timing. Page 6

Arab discord

Sharp disagreement among Arab heads of state over the wording of a final communiqué marking the end of their summit meeting in Baghdad, pushed the Arab League summit into a third day.

Mandela in hospital

Nelson Mandela underwent minor surgery and will stay in hospital for a day or two, but his wife said his tour of European capitals, due to start next week, would not be affected.

Nuclear shutdown

A Finnish nuclear power plant shut down the second of its two Soviet-made reactors after erosion was discovered in a water pipe.

New Taiwan premier

Taiwan's parliament approved the appointment of Defence Minister Hau Pei-tsun as the island's new premier after a day of violent protests inside and outside the chamber. Page 6

EC racism measure

The European Commission publicly distanced itself from a Community measure against racism and xenophobia on the grounds that the text had been so watered down as to be almost meaningless. Page 3

Poll result alert

The army and the police have been placed on alert in the Dominican Republic as the Central Elections Board tries to determine the winner of presidential elections held a fortnight ago. Page 8

Rebels cut power

A faction of Suriname's anti-government rebel group has occupied a hydro-power station and has been cutting off power to Paramaribo, the capital. Page 8

Executions go ahead

Malaysian courts rejected last-ditch attempts to delay the execution of eight Hong Kong people convicted of drug trafficking. The hangings will take place today.

Troops quell unrest

Troops moved in force onto the streets of Gabon's oil capital Port Gentil to quell the worst civil unrest for 30 years and allow vital oil production to resume.

Polish recognition

The parliaments of East and West Germany will bow to Polish demands and formally recognise Poland's existing western border on June 21, Bonn's Chancellery Minister Rudolf Seiters said.

South African trials

A South African human rights organisation said 184 political trials were under way in South Africa, involving 1,400 defendants, and that between 10 and 20 people were still being convicted each month.

Zimbabwe killing

Soldiers guarding Zimbabwe President Robert Mugabe's residence shot dead an elderly white motorist on Sunday evening as he drove on a closed section of road outside Mugabe's residence.

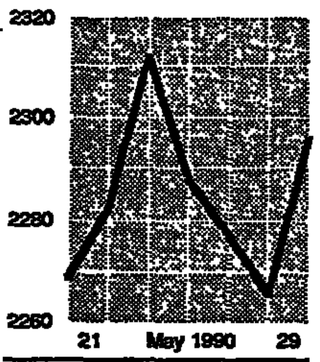
Business Summary

Japan and EC to set up bilateral trade group

Japanese and European Community ministers agreed in Brussels to develop political relations and to set up a new working group on bilateral trade. The first ministerial level talks for 3½ years left both sides happy with the result, though controversial issues, such as access for Japanese cars in a single market, were not seriously discussed. Page 20

LONDON STOCKS did nothing to discourage the optimists after the UK Bank Holiday, when the final reading of the

FT-SE 100 Index



FT-SE Index at 2,295.6 showed a gain of 30 points. London Stock Exchange, Page 35

CORRECTION: Mexico

Mexico has reduced the rate at which it devalues its currency against the US dollar. It has not announced a 20 per cent devaluation, as incorrectly reported in yesterday's Financial Times. Page 9

ASEA BROWN Boveri, Europe's biggest electrical engineering group, posted first-quarter pre-tax earnings of $215m, showing an advance of 25 per cent compared with the first three months of 1989. Page 22

FRANCE agreed a new aid package for Poland, including a rescheduling of FFr8.3bn ($1.47bn) of bilateral Polish debt. Page 3

HONG KONG is to allow companies to import more than 15,000 skilled and semi-skilled employees to offset a serious labour shortage. Page 20

SAATCHI & SAATCHI, UK communications company, is expected not to pay a dividend to shareholders this year in a struggle to stabilise its financial position. Page 21

THOMSON CSF, French electronics group, and Ferranti International, British defence electronics group £32m ($54m) merger of sonar activities was cleared by UK Government. Page 21

CO OP, German retailing group, supervisory board chairman, Mr Hans Friderichs, resigned over strategy differences with the principal shareholders. Page 21

SOVIET UNION is to broaden collaboration with Fiat by making a version of Fiat's Panda small car instead of its own design. Page 20

SOURCE PERRIER, French mineral water and cheese group, sold most of its soft drinks division to Cadbury Schweppes, the UK confectionery and drinks company, for £125m ($211m). Page 21

UNITED BISCUITS, UK biscuit company, has increased its bid for Verkade, Dutch chocolatier, offering Fl 447 ($79.7) a share. Page 10

BANK of Nova Scotia, Canada's fourth largest chartered bank, reported a 10 per cent dip in earnings for the second quarter and an 8 per cent decline for the first half ended April 30. Page 23

YEMENI states merger is being watched by international banks and exporters to see if commercial payments arrears will be settled. Page 25

JAPAN'S leading construction contractors have reported huge increases in profits. Page 24

Election of leading political rival set to haunt Gorbachev as summit talks begin

Yeltsin seizes key position

By Quentin Peel in Moscow

MR BORIS YELTSIN, the most popular political rival of President Mikhail Gorbachev in the Soviet Union, yesterday seized the key post of President of the Russian Federation to mass acclaim.

His election spells an important defeat for the Soviet leader only days before his summit meeting with President George Bush in Washington, and provides a big boost for supporters of more radical reforms in the Soviet Union.

For Mr Gorbachev, it also means that his most formidable rival now has a real power base from which to challenge his authority.

Mr Yeltsin's victory was greeted with cheers, stamping and a standing ovation in the Russian Congress of People's Deputies, the newly elected super-parliament of the largest republic in the USSR, when he finally won an absolute majority in the third round of voting, after five days of tense in-fighting with Communist Party nominees.

The election result came hours before the Soviet Government, headed by Mr Nikolai Ryzhkov, managed to avoid a vote of no confidence in the USSR Supreme Soviet over its plans for sweeping price increases, in return for an agreement to modify the programme over the coming week.

Mr Yeltsin immediately announced plans to put together a coalition government of both democratic and traditional Communist Party deputies, but also insisted that he would press ahead with plans to seize more economic authority and sovereignty for the Russian federation.

In the end he beat off the challenges of both a leading conservative Communist Party figure, Mr Ivan Polozkov, and of Mr Gorbachev's own nominee, Mr Alexander Vlasov, the current Prime Minister of the Russian federation. Mr Yelstin won just four votes more than the 531 he needed for an absolute majority.

It is the first time that the Soviet President has failed to get his candidate elected to a major post in government, and presents Mr Gorbachev with the urgent need to seek an accommodation with the man he sacked from the Communist Party leadership and has since consistently denounced.

After his election, Mr Yeltsin strode through the Kremlin to greet hundreds of waiting supporters outside, who burst through the police cordons by St Basil's cathedral in Red Square to cheer him. Red Square itself had been cleared of people for fear of a mass demonstration.

"I am well aware of the responsibility that is on my shoulders," Mr Yeltsin declared to the waiting crowd, "to strengthen Russia's sovereignty, its further democratisation and independence."

In his first television interview, he called on the new Russian parliament to approve the "Decree on Power" proposed by Dr Andrei Sakharov, the father figure of Soviet dissidents, before he died. The decree calls for an end to the privileged position and monopoly of the Communist Party, curbs on the power of the KGB, and democratic control on all the top positions of government. It has become a charter for the radical reform movement.

However, Mr Yeltsin also attempted to sound a note of conciliation with the Communist Party leadership, proposing a "council of national reconciliation," representing all 28 political groups and factions in the Russian parliament, to draw up an effective coalition government.

He is expected to nominate a leading Communist Party figure – either Mr Vlasov, or Mr Lev Voronin, currently a Soviet deputy premier – as his deputy president.

Nonetheless, his victory presents Mr Gorbachev with a serious dilemma. Up to the last minute, the Soviet leader campaigned for his defeat, summoning some 400 deputies to a meeting in the Rossiya Hotel, opposite the Kremlin, on Monday night, to urge them to vote for Mr Vlasov, pro-Yeltsin deputies said.

Mr Yeltsin is likely to back Mr Gorbachev on swifter economic reform, but not on his hard-line refusal to negotiate with republics like Estonia, Latvia and Lithuania, bent on outright independence. He has proposed direct treaties between Russia and the other republics, bypassing the central government in Moscow.

In his speech to the Russian Federation's parliament last week, he produced a 13-point list of principles to underpin a Russian constitution. These, in essence, were a reproduction of the programmes adopted by the three Baltic States, shorn, of course, of references to past independence, but including a separate currency, a separate citizenship and, as Mr Mikhail Gorbachev pointed out, no mention of the republic having a socialist character.

ON OTHER PAGES: All chaos on the home front for President Gorbachev, Page 18; Yeltsin stokes nationalist fire in Soviet heartland, Mother Russia yearns for her identity, Muscovites look to Boris to fill the shelves, Page 2

Boris Yeltsin makes his first address as President of the Russian Federation Parliament beneath a statue of Lenin

Baltic anger awaits Gorbachev in Canada

PRESIDENT Mikhail Gorbachev arrived in Ottowa yesterday for a two-day official visit to Canada, which is expected to be marked by demonstrations and appeals by the Baltic community for the independence from Moscow of their three republics, write Robert Mauthner and Bernard Simon in Ottawa.

The action by Canadian Lithuanians, Latvians and Estonians is expected to inject a note of controversy into a visit seen by both sides as essentially a pleasant stopover for the Soviet leader on the way to his summit with President George Bush in Washington later this week.

Mr Brian Mulroney, the Canadian Prime Minister, aware that some 15 per cent of the Canadian population originated from eastern Europe and that Canada's Lithuanian community alone totals 35,000, is expected to take a firm line on Baltic aspirations in his talks with Mr Gorbachev.

Apart from the Baltic problem, Mr Gorbachev and Mr Mulroney, and their two Foreign Ministers, Mr Eduard Shevardnadze and Mr Joe Clark, will discuss a wide range of international problems, which will also be on the agenda at the Washington summit.

Canada will urge that the Conference for Security and Co-Operation in Europe (CSCE) should become institutionalised and take the lead in organising the new security order in Europe, a view very similar to that taken by the Soviet Union. However, Mr Mulroney will act as spokesman for the west in urging that a unified Germany should be a member of Nato, a proposal so far firmly rebuffed by Moscow.

The only specifically bilateral issue on the agenda for Mr Gorbachev's Ottawa talks will be the renewal of Canada's five-year agreement to supply wheat to the Soviet Union, which expires later this year. Mr Mulroney will seek to expand the present agreement, which provides for sales of 25m tonnes over five years, worth C$514m ($436m) in 1989 alone.

Lionel Barber in Washington writes: The Soviet Union has begun to dismantle its long-disputed Krasnoyarsk radar station, removing a significant obstacle to a strategic nuclear arms treaty on the eve of the superpower summit, according to US and Soviet officials in Washington.

The Soviet concession raises hopes that Mr Bush and Mr Gorbachev will announce broad agreement on a treaty cutting each side's long-range missiles by 30 per cent.

The Bush Administration, like the Reagan Administration, had warned Moscow that it would not sign a Strategic Arms Reduction Treaty until the Soviet Union dismantled the 30-storey high radar which it views as a violation of the 1972 Anti-Ballistic Missile Treaty.

Skeletons begin to rattle as Banco Ambrosiano trial opens

By John Wyles in Rome

AN attempt to pry some of Italy's most elusive financial and political skeletons from their closets began in Milan yesterday with the opening of the trial of 35 people charged with involvement in the fraudulent bankruptcy of Banco Ambrosiano.

The list of accused ranges from members of the bank's board and officers who ran its foreign department to Mr Licio Gelli, the former grandmaster of the sinister P2 masonic lodge, and 79-year-old Mrs Anna Bonomi Bolchini, one of the most colourful names in post-war Italian finance.

But in a country where the truth is always hard to pin down and usually multi-faceted, the trial could resemble Hamlet minus not only the Prince but also King Claudius.

The truth about what happened to the $1.3bn of the bank's funds which were never recovered apparently died with Mr Roberto Calvi, the bank's president, who was found hanging from London's Blackfriars Bridge on June 18, 1982.

The role played in Ambrosiano's downfall by the Vatican's bank, Istituto per le Opere di Religione (IOR), will not be as closely scrutinised as it might have been.

The Italian Constitutional Court ruled that Archbishop Paul Marcinkus, president of IOR during its years of partnership with Ambrosiano, was protected from prosecution in Italy by the Concordat between the Italian state and the Holy See.

Ambrosiano's missing funds were lent to 10 overseas dummy companies, owned both directly and indirectly by the Vatican Bank, which were located in the Bahamas, South America and elsewhere.

While the Holy See paid out $244m to Ambrosiano's creditors in recognition of its "moral involvement" in the crash, Archbishop Marcinkus has publicly maintained that he knew nothing of Mr Calvi's extraordinarily complex dealings.

Mr Gelli has made similar claims and is denying the charge of having taken possession of more than $84m of Ambrosiano's funds.

He claims that he had never even cashed a cheque with the bank and that millions of dollars found in his Swiss bank accounts were his own money. In fact, said Mr Gelli in an interview two years ago, he had thought of lending Calvi money, thinking that "perhaps Roberto could do with $200m."

While part of Mr Calvi's purpose was to take control of his own bank through equity purchases by a skein of offshore companies, it is not clear whether he was part of some "grand design" to subvert the Italian state by financing right wing terrorism, or even a military coup as has been sometimes alleged.

Some of those standing trial in Milan are known "fixers" with high-level political contacts, and allegations that some Ambrosiano money was channeled into party political coffers are expected to surface during the proceedings.

But it has also been alleged that Ambrosiano money found its way to much more extraordinary destinations.

MAN and Daimler bid for Enasa blocked by Berlin

By Andrew Fisher in Frankfurt

THE planned takeover by MAN and Daimler-Benz of West Germany of Enasa, the Spanish state-owned truck producer, was put in jeopardy yesterday by a decision of the Federal Cartel Office in Berlin that the deal could not be approved in its present form.

MAN said that it had no wish to acquire all or part of Enasa by itself, though Daimler hoped the cartel office's objections could be allayed. All three companies are hopeful that an expected European Commission assessment of the deal will be more sympathetic.

MAN and Daimler, its bigger rival which owns the Mercedes-Benz car and truck maker, announced their joint takeover of 80 per cent of Enasa in December. MAN was to take 60 per cent and Daimler 20 per cent, at a cost of Pta28bn ($270m). INI, the Spanish state industrial holding company would keep 20 per cent.

The cartel office's decision, not yet final, is the second recent setback to MAN's plans to link up with other companies. Last summer, its proposed acquisition of the marine diesel engine activities of Sulzer of Switzerland was also turned down on competitive grounds, a ruling upheld by Mr Helmut Haussmann, the Economics Minister, after the company had appealed.

Mr Haussmann said in March, however, that the Bonn Government supported the Enasa acquisition. He said the cartel office's worries about possible harmful effects on competition could be resolved.

Yesterday, MAN said it could not comment on whether it might appeal to Bonn a second time. MAN and Daimler have until July 2 to reply to the objections.

The cartel office said the combination of MAN and Daimler, Germany's two biggest truck makers, with Enasa would have a negative effect on competition, implying there would probably be no problem if only one of the companies made the acquisition.

MAN said, however, that the deal had been carefully worked out so that it would take over the heavy truck side of Enasa and Daimler the lighter vehicle activities. MAN would also gain control of Seddon Atkinson, the small UK heavy truck maker owned by Enasa, while INI would take an 8 per cent stake in MAN.

Continued on Page 20

CONTENTS

Collor takes the knife to Brazil's trade policy

President Fernando Collor de Mello's new trade policy, like his other initiatives, is as simple as it is drastic: he is tearing down the country's formidable trade barriers and opening it to international competition

Page 4

MARKETS

STERLING
New York lunchtime: $1.6945
London:
$1.5950 (1.6900)
DM2.8350 (2.8425)
FFr9.5475 (9.5750)
SFr2.3900 (2.4075)
Y255.75 (253.00)
£ index 88.9 (89.1)

GOLD
New York: Comex Jun $357.8
London: $367.50 (357.25)

N SEA OIL (Argus)
Brent 15-day Jul $16.45 (16.75)

Chief price changes yesterday: Page 21

DOLLAR
New York lunchtime:
DM1.6730
FFr5.6355
SFr1.40905
Y150.95
London:
DM1.6720 (1.6820)
FFr5.6325 (5.6650)
SFr1.4085 (1.4250)
Y150.90 (149.70)
$ index 67.2 (67.2)
Tokyo close: 150.70

US lunchtime rates
Fed Funds 8¼%
3-mo Treasury Bills: yield: 7.985%
Long Bond: 101⅛
yield: 8.638%

STOCK INDICES
FT-SE 100: 2,295.6 (+30)
FT Ordinary: 1,823.3 (+23.3)
FT-A All-Share: 1,132.24 (+1.1%)
New York lunchtime:
DJ Ind. Av. 2,847.72 (+26.8)
S&P Comp. 357.38 (+3.2)
Tokyo: Nikkei 32,817.67 (−373.94).

LONDON MONEY
3-month interbank: closing 15 $\frac{3}{16}$% (15 $\frac{1}{16}$)
Liffe long gilt future: Jun 82 $\frac{3}{32}$ (82¼)

EUROPEAN NEWS

Yeltsin stokes nationalist fire in Soviet heartland

By John Lloyd

ON THE threshold of the power which he took yesterday as president of the Russian Federation, Mr Boris Yeltsin defined his programme a little more closely. He had until recently been among the vaguer of the Soviet Union's political élite on what is to be done – and that in company which is notoriously unspecific as to programme.

But in his speech to the Russian Federation's parliament last week, he produced a 13-point list of principles to underpin a Russian constitution. These, in essence, were a reproduction of the programmes adopted by the three Baltic States, shorn, of course, of references to past independence, but including a separate currency, a separate citizenship and, as Mr Mikhail Gorbachev testily pointed out in his speech to the Congress three days later, no mention of the "Russian Republic" having a socialist character.

It would have a multi-party system – Mr Yeltsin has until recently been opposed to the ending of the Communist Party's monopoly – and, though this was not stressed, all forms of property would be permitted. Relations between Russia and the other republics would be regulated by treaty, and trading between them would be on the basis of world prices.

If this were to be implemented, President Yeltsin would put himself at or near the side of Mr Arvydas Landsbergis of Lithuania: a radical nationalist, with the important distinction that Mr Yeltsin takes away from the union not a peripheral state, but its core. That is the measure of his challenge, and his task.

His dramatic, emotional persona is now well known on the world stage: he has spent much of the past year consolidating a popular base at home which Mr Gorbachev tried to deny him, and travelling the world issuing salvoes against the Soviet President's "timidity".

In ostentatiously refusing the perks which membership of the establishment brought him, in attacking corruption and privilege, he has struck a deep chord in a resentful populace. He has remained on the side of the economic right-wing radicals, calling for a faster transition to a market economy: yet he has never – as other radicals have – suggested that there is an economic price to be paid for that.

His Democratic Russia bloc in the Russian Soviet favours a stronger presidency, as Mr Gorbachev has on the all-union level: the crucial distinction they make is that the President should be directly elected, a hurdle the Soviet President has yet to take.

The lightness of his ideological baggage means that his offer earlier this week of posts to the conservative nationalists in the Russian Soviet could be achieved without too much adjustment to either his position or theirs: in his speech last week, he called on "all national and patriotic forces [to] rally for the construction of a democratic civil society in Russia" – clever chords to strike in that company.

If he is successful in bringing these forces together, and in expressing the vast and now wholly overt complaints which the Russians feel against their Government, their fellow Soviets and the world, he will pose the largest of challenges to the unity of the USSR.

Yeltsin: 13-point plan

Mother Russia yearns to recover her identity

Sovietised, the USSR's richest republic is in many ways the poorest, writes John Lloyd

RUSSIA is in every way the centre, the heart, the determinant of the Soviet Union: and it is this which has enforced its insignificance. In that paradox lie some clues to its future.

From the 15th century expansion under Ivan the Great, Russia has been the power source of empire and Moscow its capital. Russia, for five centuries, has written itself large upon a widening contiguous area composed of diverse peoples and nations. It is thus an imperial centre of some antiquity: and the legacy still lives.

It is rich, or should be. It produces 90 per cent of Soviet oil, 70 per cent of gas, most Soviet cars. It is reckoned to give some Rbs70bn (£70bn at the official rate) to other republics: besides oil, gas and cars, most exports of timber, paper, copper, aluminium and nickel come from Russia.

Mr Valery Chichkanov, a Russian deputy prime minister, has calculated that his state earns Rbs41bn a year from exports abroad, much of that in hard currency, but is allowed to keep only about 12 per cent of it.

Russia "needs" only the grain produced from the neighbouring Slav republic of the Ukraine (the second biggest, with 50m people): the other Soviet Socialist Republics are mainly a dead loss.

Its 148m citizens make up more than half of the population of the USSR (though some 20 per cent are not ethnic Russians); its land mass covers 11 time zones and Moscow, with 10m people, has a bigger population than all the Baltic states combined.

Nearly all of the politburo is Russian (the Georgian Eduard Shevardnadze is the main exception), and it is rare to see a non-Slav with a really important job.

But this has determined the terms of the paradox. Russians have run the system (with the very major exception of that other Georgian, Joseph Djugashvili-Stalin, who was more Russian than the Czar) but have done so in the name of the Soviet Union. Russia was Sovietised, and spread all over the empire. The other nations were allowed to keep remnants of their nationality; indeed, Soviet power helped many only-spoken languages to become literary ones. But Russian memorials were destroyed in favour of Soviet ones, the Russian language was bureaucratised; Russia has no Communist Party of its own, no Academy of Sciences of its own and its ministries and institutions are, more even than those of the other 14 republics, paper castles.

It is this mixture, of being the possessor of the wealth and at the same time the piggy bank for the imperial mission, which Russian nationalism now attacks. The election of Mr Yeltsin shows that Russian nationalism comes with many labels: "progressive-radical", in his case; orthodox-Gorbachevian, in the case of his losing rival, Mr Alexander Vlasov, the Russian premier; or Stalino-nationalist, like Mr Ivan Polozkov, his previous rival (who had earlier denied him an outright win). All share the view that Mother Russia has been violated for too long; all propose some form of autonomy shading to independence.

Mr Yeltsin's variant, an independence which would include a separate monetary policy and substantially separate foreign relations, is (as far as it is concrete) just short of complete separation. The policy of continuing to extend the Mother Russia embrace to all the now-fractious foster children seems to lack any sort of constituency.

Next year, Russia moves to the system of self-financing that nearly every other republic has already adopted. That should mean a fair degree of economic autonomy: but Mr Yeltsin's programme goes far beyond it. As President of Russia, he may, in time, have a more powerful position than that of the man he challenges, Mr Mikhail Gorbachev.

Muscovites look to Boris to fill shelves

By Leyla Boulton in Moscow

DELIGHTED Muscovites yesterday greeted Mr Boris Yeltsin's election as president of Russia like a ray of hope in a daily existence darkened by food shortages and anxiety about the future.

"That's great. I think Yeltsin will be able to do something to help us," said Mr Vladimir Skalsky, a watchmaker. "This is not a life," he said, waving a plastic bag with a few supplies from the capital's depleted shops.

Miss Tatyana Kuznetsova, a 30-year-old building site worker, went further. "He's the only man who can do something for Russia and give us the things we need to live a decent life," she said.

"Thank God, I'm very glad, Yeltsin's one of the only honest Communists left," said pharmacist Tamara Troshina.

Few people, however, seemed to know exactly how Boris Nikolayevitch would improve things. "He'll fight the bureaucrats," suggested one Muscovite. "He's got a very concrete economic programme but I can't tell you much about it," said another.

Mr Evgeny Kapilov, an eye-surgeon wearing blue jeans, said Mr Yeltsin offered "economic freedom", which would generate political democracy.

He said the economic reform plans defended by President Mikhail Gorbachev on television last Sunday were by contrast "empty, and nothing more than a set of price rises."

The enthusiasm of some Yeltsin fans revealed deep-rooted Russian chauvinism and longing for a strong leader. "We'll have some order now and something in the shops," said Mr Mikhail Bochkov, a brewery mechanic.

"Yeltsin wants to see Russia as I see it – a place where we are free and where we live better. I'm a Russian, I was born here you see," said Mrs Albina Krivasheeva, 57, a retired engineer. "Before, we gave our wealth to the other republics and they gave us nothing in return. Now, we won't give anything away for free anymore," she said, referring to one of Mr Yeltsin's most popular election campaign themes.

He said last week that the Russian Federation, the largest of the Soviet Union's 15 constituent republics, had suffered most from the old-style command economy. Russia would stop subsidising the rest of the Soviet empire.

Mrs Natasha Belova, a secretary, expressed the fears of a minority who see Mr Yeltsin as a dangerous demagogue. "People who like him want another Stalin. He's very ambitious, he thinks only of himself and when he was head of the Moscow Communist party, he did nothing for us," she said.

One young mother with a harassed look on her face and a small daughter in tow was more concise. "I couldn't give a damn," she said.

Mitterrand sees bank having leading role

By Peter Norman in Paris

OTHER COUNTRIES and institutions may join the 40 nations and two European Community bodies as shareholders in the European Bank for Reconstruction and Development, President François Mitterrand of France said yesterday.

Speaking at the official signing of the charter for the EBRD, Mr Mitterrand said that the bank should evolve into a major world institution.

He said that it had a great many instruments with which to carry out its mission of encouraging private enterprise in eastern Europe.

Through loans, guarantees, equity investment and underwriting, it would fulfil a catalytic role and serve as a bridge bringing western knowhow to east European countries.

The Dutch Government yesterday signed the charter despite its earlier objections to the way in which the group of seven leading industrial countries had agreed to site the bank in London and appoint Mr Jacques Attali, special adviser to Mr Mitterrand, as its first president.

However, the Dutch Government was represented by Mr Cees Maas, the director of the Dutch Treasury, rather than a minister.

Spain may sell nuclear plant

ONE of Spain's most embarrassing industrial white elephants, the twin 975MW units of the ageing Lemoniz nuclear power plant on the Cantabrian coast, may soon be packed up and carted away if still early negotiations to sell the plant to Romania succeed writes Peter Bruce in Madrid.

Lemoniz, owned and built by the big Basque-based utility Iberduero in the late 1970s, never saw service. ETA, the Basque separatist group, killed a number of employees on the site to stop the plant going into production in the early 1980s.

The current socialist Government saved it from further disgrace in 1984 by declaring it part of a general moratorium on nuclear plant construction in order to save the country's coal industry.

Although the Industry Ministry is considering lifting the moratorium on some mothballed nuclear plants, Lemoniz's chances in Spain look slim. The plant, valued on its owner's books at some Pta310bn, ($3bn) has now apparently been brought to the attention of the *Romanian* Government, which is hoping to rekindle a national nuclear programme started *during* the Ceausescu dictatorship in order to cut down power station pollution.

Romanian engineers are said to be about to visit Spain, which claims the plant would be easy to take apart and reassemble. The subject is believed to have been discussed during a visit to Spain recently by the Romanian Prime Minister, Mr Petre Roman.

Call for new Yugoslav party

By Judy Dempsey

MR ANTE MARKOVIC, Yugoslav Prime Minister, yesterday called for creation of a new political party in remarks which could lead to an open clash between his Government and the country's other main state body, the presidency, headed by Mr Borisav Jovic.

"The federal government has decided to join the multi-party elections and get the support of the Yugoslav people based on its programme, which has so far given exceptional results," Mr Markovic told Borba, the communist party daily.

His statement represents another step in his efforts to resolve a political crisis which has paralysed the country and eaten away at the fragile federation consisting of six ethnically and economically diverse republics and two provinces.

Mr Markovic's suggestions of turning his government team into a separate party drew sharp criticism from conservative communists in Serbia, Yugoslavia's largest republic.

They fear erosion of their authority if the Prime Minister breaks away and forms a new power base.

Serbia, led by Mr Slobodan Milosevic, has been one of the few republics reluctant to test its popularity in a genuinely free election contested by independent political parties.

His ally, Mr Jovic, a conservative Serb who recently took over the presidency of Yugoslavia, earlier this week urged a new constitution, which was apparently aimed at stopping the break-up of the Yugoslav federation.

Liberal-minded Yugoslavs interpreted the statement as an attempt by the President to strengthen the power of the centre at the expense of the growing autonomy of the republics, a trend Mr Markovic recognises as inevitable.

French air traffic computer fails

FLIGHTS OVER France were severely disrupted yesterday because of the failure of the Paris air traffic control computer, writes Paul Betts, Aerospace Correspondent. Traffic had also been hit the previous day by a controllers' labour dispute.

The computer failure caused long delays and some cancellations in flights between the UK and France, as well as Spanish, Italian, and Swiss services using French air space.

UK Civil Aviation Authority officials said yesterday the French computer failed three times. Such failures are relatively rare but when they do occur usually cause havoc.

Controllers had to resort to manual operations, which can cope with only about a third of the traffic.

British Airways said yesterday that a strike by nearly 4,000 Heathrow-based engineers was having no impact on services as a team of management and supervisory staff were maintaining operations.

Air traffic call, Page 9.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, (Guiollettstrasse 54, 6000 Frankfurt-am-Main 1: Telephone 069-75980; Fax 069-722677; Telex 416193 represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SE1 9HL.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage paid at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Financial Times (Scandinavia), Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

EUROPEAN NEWS

Bonn offers East Germany help with its fund-raising

By David Marsh and David Goodhart in Bonn

WEST GERMANY has offered to help the East German Government organise its borrowing on the capital markets after monetary union on July 2, in a sign of the growing momentum of political unity.

Even though the two states will not be politically united for several months at least, Bonn looks likely to guarantee and manage East German fund-raising, partly as a means of saving borrowing costs, according to officials.

East Germany is due to borrow about DM10bn (£3.5bn) in the second half of this year to fund a third of its projected second half budget deficit of DM33bn. The German Unity Fund (GUF) set up a fortnight ago, which will start capital market borrowing after July in its own name with a Bonn government guarantee, will raise DM20bn this year to finance most of the rest of the East German budget shortfall.

Discussions between the Bonn Finance Ministry and the Bundesbank on starting GUF borrowing should be complete in about two weeks' time. Several important foreign institutions, including Japanese investors, have already contacted the Finance Ministry about subscribing to GUF issues, which are expected to carry interest rates slightly higher than on Bonn government bonds.

The Bonn Finance Ministry is projecting economic growth in West Germany at more than 4 per cent in 1990 and 3.5 per cent next year. Because of booming tax revenues, the ministry is adamant that unification can be financed without the need for tax increases.

Unemployment pay for the large numbers of jobless expected in East Germany will be financed largely through social security contributions by East German workers, although Bonn will inject DM5.75bn directly into the unemployment fund during 1990-91.

The Finance Ministry is playing down the perceived differences of opinion with the Bundesbank over the introduction of the D-Mark into East Germany on July 2. Officials point out that every detail of the monetary union treaty with East Berlin signed here on May 18 was worked out with the Bundesbank.

Referring to criticism of Bonn by some regional members of the central bank's policy-making council, officials say this was partly due to "a deficit of information" between the Bundesbank's central directorate and the more peripheral figures on the council.

On the question of East Germany's own funding needs, officials say that East Berlin's access to credit markets will be kept on a close rein from Bonn during the run-up to full unification. They say that the state trust body (*Treuhandanstalt*), which owns most of East Germany's industry, will not be allowed to realise its proposal to borrow DM50bn in the next two years to aid corporate restructuring.

The monetary union treaty allows the *Treuhandanstalt* to borrow up to DM7bn this year and DM10bn next year. Amounts above this limit can only be raised with Finance Ministry approval.

On West Germany's own budgetary prospects, the Finance Ministry is launching a bid to tighten spending discipline by central and state (*Land*) governments. In a meeting with the *Länder* today, the Finance Ministry will be trying to hold annual increases in overall public sector expenditure to 5 per cent in 1991, 4 per cent in 1992 and 3.5 per cent in 1993 after 6 per cent this year.

General public sector financing prospects have been greatly improved by unexpectedly large surpluses in the West German social security fund. This is likely to amount to around DM20bn this year and will be little changed in coming years.

SOCIAL DEMOCRATS TO STICK WITH LAFONTAINE FOR CHANCELLOR

MR OSKAR LAFONTAINE will remain the West German Social Democrats' candidate for Chancellor despite the confusion he has caused inside his own party by his repudiation of the state treaty agreed between Bonn and East Berlin to accompany currency union on July 2, writes David Goodhart in Bonn.

Political advisers to Mr Lafontaine say that it will not be a resigning issue if the party rejects his advice to vote against the treaty in the Bundestag, where the Social Democrats are in a minority, but then to vote for it in the Bundesrat, where the party now has a majority.

Mr Lafontaine, who is still recuperating from a knife attack at a political rally last month, wants the Government to carry sole responsibility for what he believes will be an economic crash in East Germany after economic union. But most SPD parliamentarians believe it is too late to block economic union and that the treaty, amended if possible, must be supported.

At Mr Lafontaine's prompting the Social Democrats are currently pressing the Bonn Government for various additions to the treaty – above all protective transitional arrangements for East German companies. Mr Hans-Jochen Vogel, the SPD leader (pictured right), met Chancellor Helmut Kohl for talks on the SPD demands yesterday. These were inconclusive but will continue on June 12.

There is already provisional agreement between Bonn and East Berlin for selective and temporary import controls for a range of agricultural products and consumer goods.

Mr Helmut Haussmann, the West German Economics Minister, also announced yesterday that the proposed 12 per cent grant for investors, domestic or foreign, in East Germany would be extended beyond one year.

In addition, tax incentives were being established to make East German goods "imported" into West Germany more attractive.

Commission dismay at watering down of anti-racism measure

By Lucy Kellaway in Brussels

THE EUROPEAN Commission yesterday took the unusual step of publicly distancing itself from a Community measure against racism and xenophobia on the grounds that the text had been so watered down as to be almost meaningless.

At the UK's insistence, the scope of the resolution, which was agreed yesterday by employment ministers, was limited to racism directed at Community citizens rather than racism directed against any human being.

The resolution encourages member states to ratify international treaties on racism, to introduce their own race relations rules and to take steps to integrate minority groups into their communities.

In the initial draft the Commission was to undertake a comparative study of such laws in all member states, to initiate demographic studies and to help improve the flow of information between member states.

However, Britain argued that it was beyond the competence of the Commission to carry out studies where non-EC citizens were concerned, and in the final draft any Commission action will be limited to Community citizens.

The UK yesterday made clear that its intervention did not mean that it was going soft on racism, but simply that it objected to Brussels overstepping its powers. Mr Michael Howard, the Employment Secretary, said: "We yield to no-one in our determination to deal with racism".

Social affairs ministers also agreed a resolution on tackling long-term employment, with the UK warning the other Twelve of its resistance to making any such initiatives legally binding.

A new fund set up for continuous training of workers was agreed but also met UK resistance on the grounds that the preamble referred to the legal right of workers to training - a right which the British Government does not recognise. Little progress was made on a plan to allow EC citizens working in a community country other than their own to bring their non-EC relatives with them. A Commission proposal was rejected by nearly all the northern member states as being far too generous, and likely to open the gates to immigration into the Community.

France agrees on aid package for Poland

By Ian Davidson in Paris

THE FRENCH Government yesterday agreed a new aid package for Poland, including a rescheduling of FFr8.3bn (£870m) of bilateral Polish debt, at the end of a two-day visit by Mr Tadeusz Mazowiecki, the Polish Prime Minister.

But it gave no concrete support to his appeal for a sweeping cancellation of Poland's $40bn foreign debt burden.

In a French newspaper interview published on the eve of his arrival, Mr Mazowiecki drew attention to the cancellation of West German debts in 1953 and asked why the same should not be done for Poland.

President François Mitterrand told Mr Mazowiecki on Monday that he would be the "advocate" of Poland within the group of western creditor countries. But at a joint press conference with Mr Mazowiecki yesterday, Mr Michel Rocard, the French Prime Minister, indicated that such a cancellation was not being considered.

He conceded that it might be necessary to provide more help for Poland but added: "It is hard to reschedule every year".

Yesterday's French rescheduling over 14 years, with a grace period of eight years, is the detailed application of the $9.4bn multilateral rescheduling agreed by the Paris Club of creditor nations in February.

In addition, the French Government is providing FFr900m in export credits and FFr100m in investment incentives for Franco-Polish joint venture investments.

Carlsson hardens stand on Swedish entry to EC

By Robert Taylor in Stockholm

SWEDEN'S ruling Social Democrats are hardening their attitude against an eventual Swedish membership of the European Community.

Mr Ingvar Carlsson, the Prime Minister, argued in an article in the leading Dagens Nyheter newspaper that Sweden could not join an EC which achieved political union because it would destroy the credibility of the country's neutrality.

"On questions concerning war and peace in the world and conflicts and crises in our area we must alone determine our position," he said.

Such a forthright defence of Sweden's traditional position suggests that the Social Democrats – at least for the moment – are in no mood to reassess their views of the EC despite the apparent end of the Cold War.

Indeed, the decision at the EC summit in Dublin earlier this month to examine the establishment of a political union inside the EC appears to have convinced Mr Carlsson that it is necessary to draw a firm line on how far he is willing to take Sweden in a convergence with the EC.

The EC issue is likely to feature heavily in the 1991 general election, with the Social Democrats at odds with the opposition.

The Liberal party leader, Mr Bengt Westerberg, said yesterday in response to Mr Carlsson's statement that he wanted to see Sweden apply for full EC membership after the general election.

The Moderates, the main opposition party, have already agreed to a policy which seeks Swedish membership of the EC. Neither opposition party believes EC membership is incompatible with Swedish neutrality, which they support.

However, the Prime Minister's words should help to calm many of the Social Democrat rank and file who dislike the suggestion that Sweden might eventually become an EC member. Social Democratic opposition to EC entry is expected to grow stronger at this September's party conference. This is despite anxieties among some of the trade unions which want to take a more positive attitude to the EC and are fearful of the continuing rapid outflow of industrial capital from Sweden into the EC.

Collor takes the knife to trade policy too

Brazil's President cuts through 40 years of import barriers, writes John Barham

BRAZILIAN President Fernando Collor de Mello's new trade policy, like his other initiatives, is as simple as it is drastic: he is tearing down the country's formidable trade barriers and opening it to international competition.

His foreign trade chief, Mr José Artur Denot Medeiros, says: "Our trade policies are part of a wider, fundamental objective of stabilising and modernising the Brazilian economy."

Industry has become obsolete and lazy because it has long sheltered behind formidable trade barriers. Lack of competition has contributed to chronic inflation by allowing companies to charge high prices.

The Government's answer, then, is to rip up the 40-year-old import substitution policies and convert, in a matter of months, to the free trade orthodoxy.

But the new policies have an air of improvisation about them. Mr Medeiros himself operates from a bare-walled temporary office in a Brasilia government building. Most of his staff is located 600 miles away in Rio de Janeiro.

Yet, Brazil has already abolished much of its protectionist paraphernalia. A day after taking office, Mr Collor abolished a 15-year-old list of forbidden imports, abandoned corporate import quotas, did away with much of the foreign trade bureaucracy, allowed the currency to float, and scrapped nearly all export subsidies.

In theory, anybody can import just about anything. In practice, import licences are still required, import quotas are still in force, and some tariffs have increased. Brasilia fears a surge in imports may drain reserves, so it has limited them in May and June to $2bn (£1.2bn).

Mr Medeiros says that in future "tariffs will be our principal trade instrument and the sole protection for Brazilian industry". The plan is to reduce tariffs from an average of 37 per cent – brought down by the previous government from 60 per cent in 1988 as a result of prodding by the World Bank – but he is not sure yet to what level or how long it will take.

The transition from one of the world's most protected economies to an open trading system will be difficult.

Under the old policies, consumers and manufacturers had to buy often-overpriced, shoddy and old-fangled Brazilian-made products. To increase exports and compete with imports on an equal footing, Brazilian manufacturers will have to be able to import modern components and machinery.

They will face opposition from the corporate heavyweights that benefit from protectionism, from unions trying to protect jobs and the bureaucracy, because it believes the private sector cannot be trusted.

Mr Medeiros and many businessmen argue that there is a limit to trade liberalisation. Mr Joseph Tutundjian, president of Cotia, a leading trading company, says: "Brazil has to manage its trade because it needs a surplus to pay the foreign debt, so you have to find a compromise between freedom and getting that surplus."

Brazil's $115bn foreign debt has forced it to reduce imports to a bare minimum and push exports aggressively to pay its $10bn annual interest bill. This year's trade surplus target depends on the outcome of debt talks that are due to begin soon. Although Brazil stopped paying interest on nearly all its debts last September, defence of its meagre official reserves remains the Government's overriding priority.

A day after taking office, Mr Collor abolished a 15-year-old list of forbidden imports, did away with much of the trade bureaucracy, floated the currency, and scrapped most export subsidies

However, World Bank studies show that reserves tend to grow as trade barriers come down, the currency is allowed to float, and the economy is stabilised. The World Bank worries that Brasilia will bring back controls if the balance of payments comes under pressure.

A severe lack of financing also hampers import penetration. The central bank requires companies to secure long-term foreign financing for imports over a certain value. But foreign banks and government agencies have cut their exposure to Brazil.

Budget problems have made the Government halve funds available under its subsidised export credit scheme, placing exporters at a severe disadvantage in foreign markets. However, $1bn worth of World Bank and Japanese loans are available once Brazil actually implements its trade reforms.

To import more, Brazil needs to export more. Trade volumes are modest, given the economy's size. Last year, imports and exports added up to $52.7bn, a mere 14 per cent of gross domestic product. Mr Tutundjian says Brazil should triple trade volumes, while striving to earn an annual surplus of about $15bn.

Imports are already increasing. In the four months to April, imports rose to $5.8bn, 22 per cent more than a year earlier, while the trade surplus fell 41 per cent to $3.2bn.

The US has already rewarded Mr Collor's resolve by striking Brazil from its list of countries accused of unfair trade practices, although it still grumbles about Brazil's disregard for intellectual property rights.

Paris tightens up public spending deals

THE French Government is planning a clampdown on anti-competitive practices in its FFr376bn (£39.7bn) public procurement market, William Dawkins reports from Paris.

A plan to boost a task force to ensure fair play in letting of public spending contracts is to be presented at today's weekly cabinet meeting.

This follows a spate of scandals over alleged corruption in allocation of local authority building contracts, which has prompted the Government to tighten laws on financing of political parties.

Today's scheme brings France in line with an EC directive on enforcing fair public procurement rules, due for implementing in all member states in July, and making it easier for foreign companies to compete for public contracts.

Current French public purchasing rules only apply to contracts let directly by the state, accounting for just over a third of all public contracts, the Finance Ministry says.

The new scheme, needing parliamentary approval, will extend this to local authorities, representing 20 per cent of public purchasing, and state-owned companies, representing another 40 per cent.

It sets out a code of practice for advertising and tendering public contracts.

US seeks early conclusion to trade negotiations

By Andrew Marshall, Economics Staff, in London

THE US is committed to concluding the Uruguay Round of trade talks promptly and with tangible results, despite problems with agricultural trade, Mr Nicholas Brady, US Treasury Secretary, said yesterday.

Mr Brady was speaking in London, en route to the meeting of the Organisation for Economic Co-operation and Development which opens in Paris today.

"We are determined to see these negotiations completed on time and with concrete results," he told the American Chamber of Commerce in London.

"But we share some of the apprehension that surrounds these talks – at times they seem to go slowly and the agricultural sector sometimes seems impenetrable."

Tension between the US and the European Community over farm reform, essential to the success of the trade talks, seems set to flare again in Paris. The US is pressing for a strong statement on agriculture to be included in any communiqué emanating from the OECD meeting, but the EC is expected to resist this.

Richard Crowder, US Agriculture under secretary, said yesterday in Paris that there was a possibility that differences between Washington and Brussels over farm trade reform could prevent them from signing a common statement at the end of this week's meeting of the OECD.

"I hope we get agreement in the communiqué," he said. "If not, we could end up with separate communiqués. I'm not saying it's a probability, but it's a possibility." A decision to issue separate statements could set back efforts to reach agreement at world trade talks under the aegis of the General Agreement on Tariffs and Trade (Gatt). President George Bush last week said the US would walk away from an unsatisfactory package.

Trade reform, especially in agriculture, is expected to be a major item on the OECD agenda. Brussels has resisted Washington's call for an overhaul of farm subsidies and trade barriers at the Gatt negotiations.

In remarks to the EC cereals and feedstuffs trade committee, both Mr Crowder and Guy Legras, EC director-general for agriculture, said they would prefer to come away from world trade talks with no agreement than with a bad agreement.

Mr Crowder said the EC and the US had reached a stalemate over Washington's proposal to dismantle export subsidies, and that Brussels was alone in opposing the US plan. "This area is crucial to any agreement on agriculture, so we must find ways to bridge our differences," Mr Crowder said.

Mr Brady did not say what the chances were for inclusion of farm trade and subsidy items in any multilateral trade agreement. But he did say: "We're hopeful that these talks do have concrete, tangible results and are concluded on time."

Mr Brady also said he saw a link between the recent depreciation of the yen and fluctuations on the Tokyo Stock Exchange, which may cause short-term fluctuations rather than disrupt longer-term stability. "It may very well be that this is a technical situation which is self-righting," he added.

Turkey aims to simplify export tax regime by July

By Jim Bodgener in Ankara

TURKEY plans to simplify its export tax regime by July, following sweeping imports liberalisation since last summer.

But Turkish export houses say it will not solve their main difficulty – that internal costs are rising faster than lira depreciation.

The measure forms part of sweeping trade reforms aimed at a Customs Union with the EC by 1995, which the Turkish Government now appears ready to settle for, in the interim on the long road to EC entry. An "opinion" from the EC Commission last December said Turkey's EC application would have to wait until after 1993.

The new scheme for exports will greatly simplify labyrinthine regulations and documentation procedures, some inherited from Ottoman times.

But one exporter was not convinced. "They reduce 300 documents to a single waybill one day, and slap on an additional 299 the next," he said yesterday.

Exports requiring prior authorisation will be limited to a few items such as weapons. Meanwhile, withdrawing further to an information, advisory and macro-management role, the Government will hand over regulation of many areas to semi-official and private-sector institutions.

Like exports, import tariffs will be unified from July 1, although this will not bring down protection further for locally-produced commodities.

For example, an import duty of 1 per cent on an individual item still means it carries total import levies of around 26 per cent, including other charges.

Turkey had a current account deficit of $428m (£253.25m) in the first two months of the year, compared with a $253m surplus in January-February 1989.

Exports increased by 16 per cent to total $1.99bn, but imports rose by 47 per cent to total $2.97bn, reflecting imports liberalisation coupled with rising consumer demand.

Mexican airline places $1.1bn Airbus order

CORPORACION Mexicana de Aviacion has placed firm orders for 16 Airbus A320 aircraft, with an option for 14 more. The deal for the 30 aircraft, signed on Monday, is worth $1.1bn (£650m), Richard Johns reports from Mexico City.

The award follows a fight between the European consortium and Boeing, competing for the order with its 737. Mr Abedrop Davilla, Mexicana chairman, said the airline was negotiating the purchase of a further 20 A320s.

A critical factor in the choice of Mexicana was Airbus Industrie's ability to start delivering the first 16 aircraft by the end of 1990, Mr Jorge Farrell Bernal, the company's technical director, said. Boeing could not have supplied the 737 until much later, he added.

Mexicana is also negotiating a joint venture to build a £50m maintenance facility. Included in the deal would be technical aid and pilot training.

Credit arrangements have yet to be finalised but involved in the financing are Banco Internacional and Chase Manhattan, which became a shareholder in Mexicana when the company was restructured last summer. Mexicana, Mexico's biggest carrier, plans to invest $3bn over the next 10 years to replace its existing fleet of 38 Boeing 727s and six McDonnell Douglas DC 10s.

Alitalia and USAir sign agreement on networks

ALITALIA and USAir have signed an agreement aimed at giving their passengers easier access to each other's networks, AP reports.

Under the terms of the accord signed in Rome, passengers of Italy's national flag carrier will be able to fly to 41 US destinations, making speedy connections with USAir flights leaving from Boston, Miami and Los Angeles.

In turn, USAir passengers destined for eastern Europe or the eastern Mediterranean can fly Alitalia to Italy and make the appropriate connections in Rome or Milan. USAir is one of the leading domestic airlines in the US, but has intercontinental service only to London and, later this month, to Frankfurt.

Mr Giovanni Bisignani, managing director of Alitalia, and Randall Malin, vice chairman and executive vice president of USAir, said that the accord was the beginning of what they hoped would be a long-lasting co-operation between the two companies.

They said the agreement does not call for an exchange of shareholdings, but neither one of the executives would rule out an equity swap in the future.

Alitalia hopes the expanded access to the US destinations, including such commercial and tourist centres as Washington, Philadelphia, Detroit and San Francisco, will help it raise its market share of traffic between the US and Italy. In 1989, Alitalia transported 700,000 passengers on the transatlantic route, equal to 47 per cent of the total.

Pan American and Trans World Airlines are currently the only other two airlines serving the US-Italy route.

"If We Don't Address The Issue Of Global Ecology, We Won't Have To Worry About The Other Issues."

CARLOS SALINAS DE GORTARI
PRESIDENT OF MEXICO

June 5, 1990 is a proud day for Mexico.

On that day the Mexican Government plays host to United Nations' World Environment Day, the purpose of which is to send forth a clear message:
Let us build a better planet for children.

A New Crusade.

It had its beginnings in 1972 with the establishment of the first "Conference Of The United Nations On The Environment," held in Stockholm.

Its purpose then was to monitor changes in the environment worldwide, and engender proper environmental practices.

The people and Government of Mexico take pride in supporting what came to be known as "The Declaration Of Stockholm," a key component of which called for declaring the 5th of June World Environment Day.

An Optimistic Focus.

World Environment Day will start with a commemorative ceremony in the Palace of Fine Arts with a keynote address by the President of Mexico.

Emphasis will be on achievement already realized in terms of scientific, technological and social contributions to such problems as acid rain, desertification, loss of species, contamination of the oceans, and atmospheric changes.

The point will be made to the world that Mexico stands as a nation for the principle that a healthy environment is essential for the common future of humanity, with particular stress on the quality of life our children will inherit.

Environmental Partnership

The World Environment Day Honor Committee includes U.N. Secretary General Javier Perez de Cuellar, President George Bush of the United States, Prime Minister Brian Mulroney of Canada, President Rafael Angel Calderon Fournier of Costa Rica, President Mikhail Gorbachev of the Soviet Union, Prime Minister Margaret Thatcher of the United Kingdom and many other world leaders.

Sponsors include offices of government, international and domestic environmental organizations and enterprises, youth groups and members of the artistic and cultural community. These organizations will host forums to discuss local, national and world environmental problems.

Trees Mean Life.

Trees consume carbon dioxide emitted by coal-fired power plants and other sources. And carbon dioxide is a major factor in global warming.

That's why, on World Environment Day, a minimum of five million trees will be planted throughout Mexico—as many as possible planted by children.

At the same time a reforestation telethon will be broadcast live via satellite and by radio around the world.

Countdown To The Millennium.

Now, in the twilight of the 20th century, is a time to re-establish our commitment to the earth and embark on a new decade of environmentalism as we count down toward the year 2000.

Capsule of Hope.

A time capsule containing personal messages of hope for the next generation will be buried during closing ceremonies. The capsule, designed by Mexico's leading architect, will be sealed until June 5, 2000.

World Environment Day will serve as a symbol of international ecological solidarity by bringing together representative groups who will draft a letter to all the peoples of the world with concrete recommendations for safe-guarding the planet.

This event also provides an opportunity to break away from our dependence on fossil fuels and start encouraging an international energy policy that supports alternative energy sources and reduces the threat of contamination.

Initially, your children may not know how successful World Environment Day was. But eventually, they'll find out for themselves.

MEXICO
WORLD
ENVIRONMENT
DAY
JUNE 5, 1990.

OVERSEAS NEWS

De Klerk's visit to US postponed indefinitely

By Philip Gawith in Johannesburg

SOUTH African President F.W. de Klerk, who was due to meet US President George Bush on June 18, yesterday announced he was postponing his visit to the US because of controversy about its timing.

Mr de Klerk said he postponed the visit indefinitely but would go to the US "when it can make a positive contribution to our mutual relations."

"President Bush ... stands by his invitation and I will follow it up later at a time when it can make a more positive contribution to our mutual relations," Mr de Klerk said.

Mr de Klerk said he had planned tell Mr Bush what he thought about recent events in South Africa and his plans for the country's future.

"Due to a controversy that has arisen in the US as regards the possible timing of my visit in June, and also because certain important matters would require my personal attention during the next few weeks, I have decided to postpone my visit to the US," Mr de Klerk said.

The problem arose over the fact that President de Klerk's visit to the White House fell a week before that of Mr Nelson Mandela, African National Congress (ANC) Deputy leader.

Various US politicians made it clear that domestic political considerations would make it difficult for them to receive President de Klerk before Mr Mandela and that he should reschedule his trip.

He said that "domestic pressures aside" he wanted his visit to take place in circumstances where he could have a broad range of discussions.

A senior South African government official said Mr de Klerk was unlikely now to visit Washington this year.

Mr Bush invited Mr de Klerk and Mr Mandela for separate visits after the South African head of state introduced sweeping political reforms in February, including Mandela's release from a life prison term.

Mr de Klerk returned on Saturday from an 18-day nine-nation European tour aimed at convincing leaders of his commitment to a non-racial democratic South Africa.

Can Burma's military bow to the will of the people?

The regime was caught off guard by the results of Sunday's elections, reports Roger Matthews

BURMA'S first general election for 30 years has left the country still finely poised between the overwhelming will of the people and the tenacious grip on power exercised by a handful of military officers.

In the summer of 1988, Burmese in their millions marched and demonstrated in a massive popular demand for democratic reforms. The regime eventually responded by ordering troops to open fire, killing and wounding thousands.

On Sunday, in elections organised by the same regime, the Burmese people again courageously showed their contempt for their military rulers. Even the regime has been forced to admit that at least two-thirds of the votes have gone to the opposition National League for Democracy led by Aung San Suu Kyi.

The same question is therefore raised again, only even more insistently: will the military now finally bow to the demands of the Burmese people and quit?

Just as in the summer of 1988, the military élite appears to have been caught off balance and it may be some time before the ageing General Ne Win and his immediate circle of loyalists agree on a course of action.

The State Law and Order Restoration Council (Slorc) which crushed the pro-democracy demonstrations in 1988 may well have assumed that by arresting opposition leaders, employing torture and denying freedom of speech and association, it could ensure the election result it is presumed to have desired: a victory for its own National Unity Party.

Such is the arrogance of Slorc, headed by General Saw Maung, it may even have convinced itself that the uprising of 1988 was indeed the work of Communists, whom it has consistently blamed, and may therefore have been genuinely surprised by Sunday's results. An army colonel stressed yesterday that in his opinion the vote did not indicate any resentment against Slorc.

Some diplomats speculated yesterday that the international outcry which had been raised over the past fortnight may also have convinced Slorc that the electoral process, through which it had hoped to regain a modicum of international respectability, had not proved convincing.

In an attempt to retrieve the situation it was therefore creating an impression of abiding by the outcome of a self-evidently free and fair vote, but at the same time laying plans to delay and eventually frustrate any handover of real power.

Other diplomats pointed out yesterday that official results had still been announced for only about 30 constituencies and recalled that Slorc had said it could be three weeks before the final tally of seats was known. There was therefore plenty of time for a change in the pattern of voting to be decreed.

Certainly Slorc is likely to be watching international reaction closely, anxious as it is for a resumption of aid flows, particularly from Japan, which contributed about $250m (£148m) a year before 1988 and is by far Burma's largest creditor.

In its first reaction to the election results, a Japanese spokesman said yesterday that it was too early to tell whether a democratic government would emerge in Burma.

Slorc has also said it would only hand over power to a strong, stable government, and indicated that the first task of the 485 elected members of Parliament would be to draw up a new constitution, a long and probably contentious process.

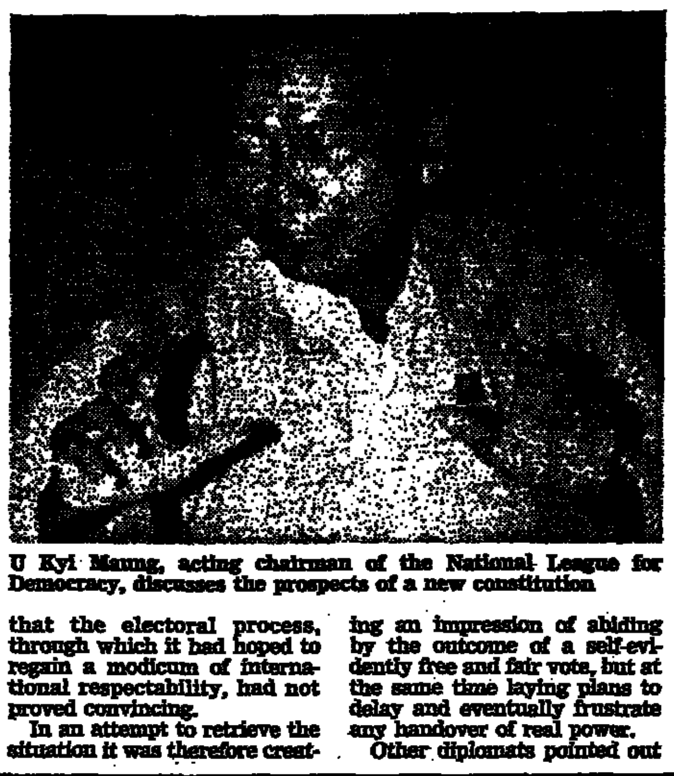
The pace and direction in which events now move is likely to depend to a large extent on Slorc's assessment of its ability to command the continuing loyalty of the army.

A preliminary analysis of voting trends in Rangoon suggested that even in constituencies in which the military and their families were heavily represented the results had been strongly in favour of the National League for Democracy.

But against this has to be set the 28 years since General Ne Win seized power and, perhaps more important, the past two years. In the heady, euphoric summer of 1988, when it looked as if nothing could stop the rebirth of democracy, there was much speculation about the conditions under which Gen Ne Win would agree to depart. Some opposition leaders speculated that his single most insistent demand would be safety for himself and his family in Burma.

After the events of the past 18 months, it may prove more difficult for the opposition to make any concessions.

While democracy now looks more inevitable then ever, the means of getting there remains dangerously obscure.



U Kyi Maung, acting chairman of the National League for Democracy, discusses the prospects of a new constitution

Contrite Japan improves relations with neighbours

John Ridding and **Robert Thomson** on South Korean President Roh's visit to Tokyo

HAVING finally found the right words to apologise for past brutality in South Korea, the Japanese Government is a little closer to the cherished goal of bringing its political influence more in line with the country's economic influence in Asia.

The three days of painstaking diplomacy during the just-completed visit to Tokyo by South Korean President Roh Tae Woo, including the apology by Emperor Akihito, brought progress in resolving the legacy of 35 years of Japanese colonial rule and in pointing bilateral relations towards the future.

But the problem of the past will not be erased by a sentence from the Japanese emperor, sincere as he obviously was in delivering the much polished words to Mr Roh at a welcoming banquet in the Imperial Palace.

Government officials from both countries are using phrases such as "watershed" and "turning point" to describe Mr Roh's first official visit to Tokyo, yet the more difficult task of overcoming traditional resentments remains not only for Japan's relations with South Korea, but also with China and other countries in the region.

Another potential turning point for Japan's role in the region will come next week when Tokyo hosts a three-day meeting between Prince Norodom Sihanouk, head of the Cambodian resistance coalition, and Hun Sen, the Cambodian Prime Minister, to discuss a potential role for the United Nations in returning the country to peace.

The unpredictable prince and the complex politics surrounding the Cambodian question, in particular China's bitterness towards Vietnam over its influence in Cambodia, will present Tokyo with difficult foreign policy choices if it intends to continue with the honest broker role. The meeting will be the first peace talks held in Japan since the end of the Second World War.

Japan's own relations with China remain as troubled by history as those with South Korea. Some Japanese politicians have seen the past year as a rare opportunity to improve relations with Peking, bearing in mind the isolation generally of the Chinese Government after the crushing of the pro-democracy movement last June.

Washington and Tokyo have argued over Japan's plans to proceed with a Y810bn (£3.13bn) soft loan package for China, while a few Japanese politicians have attempted to ingratiate themselves with Peking by asking the US to maintain China's most-favoured nation trade benefits.

The Japanese Government realises that resentment runs deep in China over wartime brutality, and while Chinese officials have been delighted to use Japan as a stage for domestic political reasons in the past year, they are privately contemptuous of Tokyo. Deng Xiaoping, the paramount leader, this month made public his fears about the growth of Japan's military, and his fears are typical of those among the Chinese elders.

Tokyo's problem is that influential elderly Communists are veterans of the war against Japanese occupation from 1937 to 1945.

While Premier Li Peng received an apology from Emperor Akihito early last year, and even invited the emperor to visit Peking, some in the Chinese Government remain suspicious of Japan's ambitions in the region and are determined not to be become reliant on Japanese capital.

The centrepiece of Mr Roh's visit, the imperial apology for Japan's brutal colonisation of the Korean peninsula between 1910 and 1945, has received mixed reviews in South Korea. The emperor at least made clear that Japan was to blame for the "unfortunate past", a point that was not obvious in a 1984 apology to then President Chun Doo Hwan.

Further progress will be made if Tokyo resolves outstanding disputes over the status of South Korean citizens in Japan, and if the economic rivalry between the two nations eases.

Reluctant Kaunda to allow democracy vote

By Michael Hall in Lusaka

ZAMBIA will hold a referendum on the introduction of multi-party democracy, President Kenneth Kaunda announced yesterday at the end of a two-day meeting of the 600-member National Council.

But he warned that a vote for an end to one-party rule would threaten stability and could derail Zambia's economic reform programme.

Mr Kaunda is strongly opposed to multi-party democracy and is expected to use all means at his disposal to ensure a favourable outcome.

"As a party we are saying the people are free to make their choice," he said. "And when they make that choice, the party will respect it." But it would be "stupid" for his party not to explain to Zambians that a vote for a multi-party system would be "courting national disaster."

The semi-official press is already reporting a propaganda campaign that has labelled those in favour of change as "drug-traffickers, misfits and malcontents".

Diplomats say in some rural areas, party officials have told villagers they would be evicted from their land if there was a return to multi-party democracy.

Trade union leaders – whose constituency of mainly urban workers numbers at most 500,000 – are the best organised opponents of President Kaunda, whose government's mismanagement of the economy has caused a drastic decline in living standards.

Rioters toss stones at riot police preventing demonstrators from entering the legislature building in Taiwan yesterday. Parliament approved by 186 votes to 27 the appointment of Defence Minister Hau Pei-tsun as premier after a day of violent protests inside and outside the chamber, Reuter reports from Taipei.

Taiwan's premier is appointed by the president and confirmed by parliament and is not himself an elected official. The appointment of Mr Hau, who stepped down in December as military chief of staff, has infuriated the opposition Democratic Progressive Party and its supporters.

Elf resumes oil output in Gabon

By William Dawkins in Paris

ELF Aquitaine, the French oil group, yesterday restarted oil production in the troubled West African state of Gabon, so removing a serious threat to the country's main source of export earnings.

Elf, producer of just over half of Gabon's oil, said it resumed operations in the former French colony because the 1,000 French troops stationed there had provided protection against the anti-government riots, which appeared to be coming under tenuous control yesterday afternoon.

It denied that the decision was linked to a veiled threat by President Omar Bongo to offer Elf's exploration rights to another oil group. Mr Roland Dumas, the French Foreign Minister, had earlier said that state-controlled Elf should restart production now that calm was returning to the country, which has been in a state of unrest since last week.

The move came as the Gabonese Government declared a state of siege, ordered troops on to the streets of Port Gentil, the country's oil capital, and began to round up demonstrators. However, there were reports of continued intermittent gunfire in the south of the city.

The riots, the worst in Mr Bongo's 23-year rule, flared up after the discovery last week of the body of Mr Joseph Rendjambe, secretary general of the opposition Gabonese Progress Party (PGP), in a hotel room. Port Gentil's French residents were yesterday under military protection in a hotel and in the Elf compound, said an army official.

Elf expected output to be running at half normal rates by yesterday evening, improving to 80 per cent by this morning. Its decision to cut production for the past six days has underlined Gabon's dependence on the French oil group. Elf's 66 offshore wells account for 5.1m tonnes of the country's 10m-tonne annual oil output.

Most of the rest is produced by Shell, the Anglo-Dutch group, mainly from an onshore well, Rabi Kounga, jointly owned with Elf and the Gabonese Government. Oil analysts in Paris argued that Mr Bongo's threat to seek alternative US, Chinese or Soviet producers was impractical.

Indian five-year plan seeks 5.5% growth rate

By K.K. Sharma in New Delhi

THE NEW Indian Government's plans for development will involve an estimated investment of Rs5.97bn (£207m) over the five-year period 1990-95 to achieve an annual growth of 5.5 per cent.

This investment for the Eighth Five-Year Plan period is somewhat less than the Rs6.5bn, aiming at an ambitious 6 per cent growth rate, projected by the previous government. But it still aims higher than any average growth rate achieved until now.

The average annual growth in the Seventh Plan period (1990-95) is estimated at 5.3 per cent, the highest in the last four decades.

The Government's paper on the approach to the Eighth Plan, published last week, avoids giving firm figures of investment or targets on the ground that its emphasis is on social justice rather than on growth. However, rough figures have been worked out by economists on the basis of the growth rate aimed at and the target of a domestic savings rate of 22 per cent.

These investments are big enough to require certain policy changes. The most important is that the private sector will have a larger share than before if the investment targets are to be realised, especially if the Government's commitment to allocate half of its own resources to the agriculture sector is to be carried out.

Also on the cards are changes in industrial policy to implement the aims of development mentioned in the approach paper. The approach paper clearly hints at further liberalisation of the Government's industrial policy which is expected to be announced soon.

"A return to the regime of direct, indiscriminate and detailed controls in industry is out of the question. Past experience has shown that such a control system is not effective in achieving the desired objectives. The system is widely abused and leads to corruption," the approach paper says.

It recognises the fillip given to industrialisation by the policy of liberalisation in the past decade. However, it also draws attention to distortions that it aims to correct. These include the rapid growth of some industries catering to the better-off sections of the population and "the diversion of scarce resources to non-priority uses".

The approach paper also reaffirms that the public sector will continue to play a leading role in the economy, concentrating mainly on development of infrastructure and production of what are described as "strategic goods".

But there is a clear indication that the private sector will win a larger role, and the paper even hints at privatisation. "There may be situations where greater private sector involvement or participation in areas hitherto retained with the public sector could be considered on a selective basis," the approach paper says.

"The public sector has of late entered numerous other areas of activity where its presence is not necessary to promote self-sustained growth of the economy or to serve any essential social purpose."

The paper makes just a passing reference to foreign investment, stating that "foreign capital has also a role to play as a medium for bringing in better technology, even if the quantum is unlikely to be large in relation to the size of the balance of payments gap."

THE Indian Government yesterday announced policy changes that permit the private sector to set up steel-making plants which have so far been reserved for the public sector, the first such liberalisation made by the V.P. Singh Administration in industrial policy, writes K.K. Sharma.

The main change is the opening of steel-making through use of blast furnaces to the private sector, subject to a maximum capacity of 250,000 tonnes a year. At present, all steel plants in the country using the blast furnace method of making steel and pig iron, except Tata Iron and Steel, are in the public sector.

The new policy, announced by Mr Dinesh Goswami, Minister of Steel and Mines, to Parliament, also permits modernisation of electric arc furnaces (sometimes known as mini-steel plants) provided they use sponge iron and not imported steel melting scrap.

Plants which have set up sponge iron-making facilities are to be allowed to increase their operations to produce finished steel.

Mr Goswami said the liberalisation of the steel policy was being made to expand production so that imports – at present worth around Rs12bn a year – are reduced.

Hints that sectors such as power generation and road building are to be opened to the private sector have been given recently. A paper on the Government's development strategy for 1990-95 has also indicated a greater role for the private sector.

Sind killings increase pressure for direct rule

PAKISTANI Prime Minister Benazir Bhutto held crisis meetings in the Sind provincial capital Karachi yesterday as killings increased in the city and pressure grew for direct rule from Islamabad, Reuter reports from Karachi.

Gunmen roaming Karachi killed five people and attacked an express train on the outskirts, killing one person and injuring 15. More than 170 people have died in the provincial capital and Hyderabad, 90 miles to the north, in four days of violence.

Ms Bhutto, who flew to Karachi on Monday night for emergency talks with Sind Chief Minister Aftab Shahban Mirani and Governor Fakhruddin Ibrahim, held talks with federal and provincial politicians for most of the day

She is under pressure from opposition politicians to ask President Ghulam Ishaq Khan to dismiss Mirani's provincial government and take direct control of Sind from the Pakistani capital, Islamabad.

Ms Bhutto was also due to meet army chief General Mirza Aslam Beg on his return from Hyderabad where his troops restored order on Sunday after some of the worst bloodletting in years of ethnic strife in Sind. More than 80 people were killed on Sunday when police searching for arms opened fire on crowds of men, women and children who defied a curfew to take to the streets demanding the withdrawal of security forces.

President Khan denounced the police for an "ill-planned" swoop.

The latest violence has threatened political polarisation in a province that is both Ms Bhutto's home and the powerbase of her Pakistan People's Party (PPP).

Business is lured into the Kalahari desert

Mike Hall reports on Botswana's efforts to diversify its economy

A sun-baked mining town on the edge of the Kalahari desert is an unlikely place to find a resident employee of the Industrial Development Authority of Ireland.

Apart from a high ratio of cows to people, Botswana has little else in common with Ireland. And Michael O'Flannagan has nothing to do with cattle; nor is he a mining expert.

But as director of a small team of consultants, Mr O'Flannagan's task is to lure foreign investors to Selebi-Phikwe, Botswana's third biggest town built around the single largest employer in the country: a copper-nickel mine.

A few years ago when copper-nickel prices plummeted, the mine's future, and that of its 5,000 workers and 50,000 or so dependants, looked bleak. Prices then picked up. But they learnt that the town cannot depend on the fluctuations of the London Metal Exchange, nor on the continued existence of viable ores.

The same applies to Botswana as a whole. An impoverished nation of cattle-herders at independence in 1966, it's economy has been one of the world's fastest growing in the last 15 years, averaging about 13 per cent a year.

But it has come to rely heavily on just one commodity - diamonds. Which is why the Government is now preoccupied with diversification.

In 1988 Selebi-Phikwe was chosen for an experiment. The outcome will influence Botswana's continuing attempts to diversify, and could have important lessons for other African countries trying to create the right climate for overseas investors.

Funded by a World Bank loan, the project aims to encourage manufacturers to locate in the town and create about 10,000 jobs over five years. Its achievements have been modest so far. Six companies have invested $8.2m with projected employment at 1,430. Another six companies are in the pipeline.

> Attracting large companies to a little-known mining town on the edge of the Kalahari is not easy.

Since Botswana lacks a modern entrepreneurial class, any substantial private investment is likely to be foreign.

"We've been to Zimbabwe and South Africa to see what we could get," says Mr O'Flannagan. "But there isn't enough, so we're looking further afield."

A small domestic market means new industry would also have to export. The need for as many jobs as possible and the lack of skills makes labour intensive, low-technology industry preferable. The most obvious is textiles.

"The Government is intrigued by the possibility of emulating Mauritius," says Mr O'Flannagan. Officials and businessmen recently visited the Indian Ocean island where textile firms now face a labour shortage. "There's no reason why they can't be encouraged to expand here," said one official.

THIS month a team will visit Hong Kong to persuade companies uncertain about the future to invest in Botswana. An office with a full time consultant has also been set up.

The visit follows the announcement of an incentives package for foreign investors: companies must locate in Selebi-Phikwe, be at least 10 years old, export 100 per cent of output outside southern Africa, employ at least 400 within two years and invest a minimum of 25 per cent of capital costs as equity.

The incentive is a nominal 15 per cent tax for 20 years and exemption from witholding tax on dividends paid in the first 10 years. In addition, there are a range of subsidies available under a Financial Assistance Policy (FAP), probably the most important of which is an 80 per cent wage bill subsidy for two years.

The example of Mr Dawood Khonat's Algo Industries in the capital, Gaborone, is often held up to those sceptical of Botswana's ambitions.

When he first set up in 1982, he employed seven; now his group provides work for 2,000, an increasing number of whom are engaged in stitching jeans.

> Since Botswana lacks a modern entrepreneurial class, any substantial private investment is likely to be foreign.

Already one in every 300 pairs sold in the eastern United States are made in Botswana, most of them by Mr Khonat's workers who manufacture churn out 50,000-75,000 a month. His second factory, employing 350 and adding another 50,000 pairs a month, is due to open in June. And two more are being planned.

Algo Industries also exports garments to Zimbabwe and other southern African countries and to major chain stores in Europe. "I've even sold jeans to Japan," says Mr Khonat, who adds that the Japanese seem to be looking beyond established producers in Asia for new and cheaper suppliers.

Botswana is not affected by textile quotas and it has the labour, although initially Mr Khonat says he found his workers 20 per cent as productive as in Europe, a figure which rose to 60 per-cent after two years.

MR Khonat's and others success (one company, Image Botswana, owns a fashion store on London's Bond Street) has surprised many observers, including Mr Quill Hermans, governor of the Bank of Botswana. "If you'd told me 10 years ago that there would be a thriving little textile industry here in 1990 I would have said you were mad."But Mr Khonat has not located in Selebi-Phikwe. And although it is too early to assess the whole project, it already has its critics. They argue that it is a knee-jerk response which boils down to subsidising job creation; that when the subsidies run out, companies will move elsewhere.

"You have to start somewhere," argues Mr O'Flannagan, who stresses all new projects are tested for viability. And once a few companies firms are established in the town, he says, it will encourage others.

Mr O'Flannagan admits that attracting large companies to a little-known mining town on the edge of the Kalahari is not easy.

Japanese output for April falls

A 10.8 per cent fall in recorded exports, on a customs-cleared basis, led to a 0.9 per cent decline in Japanese industrial production between March and April, the Ministry of International Trade and Industry said, Clay Harris writes.

The fall in output was the first reported since January, but April production was 3.2 per cent higher than a year previously.

Another factor in the output decline was the usual bunching of production just before the companies' financial year-end on March 31.

Manila reforms

The Philippine Government is set to introduce a number of structural reforms in a bid to bring down domestic interest rates and the inflation rate, Mr Jesus P. Estanislao, the Finance Secretary, said yesterday, Greg Hutchinson writes.

The first-quarter inflation rate was an average of 13 per cent, according to the Central Bank of the Philippines.

Mr Estanislao said he could not "tolerate" this level of inflation.

AMERICAN NEWS

Amazonians create environmentalist alliance

Sally Bowen reports on an agreement formed in Iquitos, Peru, to improve forest resource management

A full-blooded Ashaninka Indian stood with a schoolroom pointer before a rustic chart depicting the elements of "our healthy life" in the Amazonian jungle. Listening intently were representatives from the Worldwide Fund for Nature, Greenpeace, the National Wildlife Federation, Friends of the Earth and other international conservation agencies.

"Now we have a new kind of actor on the scene," said Oxfam America director Richard Smith. "A decade ago neither side would have dreamed of this happening."

Yet it was just what happened at a conference recently in Iquitos, Peru. The Co-ordinating Body for Indigenous Peoples of the Amazon Basin (Coica), founded in 1984 and grouping national organisations from Peru, Brazil, Ecuador, Bolivia and Colombia, had called the first ever conference between indigenous Amazonian peoples and the major international environmental agencies. After the five day encounter, they signed a historic "indigenous and environmentalist alliance for an Amazon for humanity."

"We, the forest and its million indigenous inhabitants, belong to each other," argued Coica President, Evaristo Nugkuag. "We have used the forest for millennia without harming it. We understand integral management where everything is used, but rationally."

An hour's motorboat ride down the broad and muddy Amazon lies the 50 year-old riverine community of San Rafael, populated by detribalised Indians and mestizos (mixed race) fleeing first rubber-tappers, then prospectors and timber-extractors.

Conference delegates trekked for two hours more through dense tropical jungle to verify indigenous peoples' claims to being the environment's natural guardians.

'We, the forest and its million indigenous inhabitants, belong to each other,' says Evaristo Nugkuag, President of the Co-ordinating Body for Indigenous Peoples of the Amazon Basin (Coica). 'We have used the forest for millennia without harming it. We understand integral management where everything is used, but rationally.'

Deep within the forest, with World Wildlife Fund financial and technical support, they have created a 1,000 hectare community reserve and have conducted a sample inventory of 7,482 trees. The most valuable bear plastic numbered tags. The aim is to control and protect the extraction of forest reserves, especially timber.

Similar reserves, with no legal status but actively guarded by the indigenous populations, exist in many other communities in this Peruvian region of Amazonas.

The Iquitos area has not suffered the wide-scale deforestation of many other Amazonian regions, but the threat of indiscriminate timber extraction is ever present. The San Rafael project, by identifying merchantable timber, will allow for planned felling of selected trees in a timescale that permits natural regeneration of resources. A small saw-mill and carpentry workshops are planned for the traditional riverbank village of woodframed, thatched huts "to give us more value added from our wood." And it is a project administered entirely by the forest's own inhabitants.

Elsewhere in the area, the Peruvian indigenous people's organisation Aidesep, with Peruvian government support and Dutch and Italian technical assistance, has other schemes to improve resource management along traditional lines.

Model one-acre subsistence agricultural plots demonstrate techniques of clearing forest and planting in concentric circles, with small vegetables on the inside, protected and nourished by encircling larger maize, yucca and plantains.

The surrounding forest, in a ratio of at least 10 acres to each planted acre, provides all necessary organic material, permitting permanent cultivation instead of too-familiar slash, burn and move on methods.

No artificial fertilisers are used. Gigantic banana leaves replace plastic sacks for the removal of rubbish. Seeds germinate in metre-long hollowed out tree-trunks, and seedlings are planted in bamboo pots beneath a thatch of palm leaves to guard them from the blazing tropical sun. Pesticides are banned. Insect-repellent plants encircle the nurseries providing natural protection.

To this demonstration orchard come Aguarunas, Shipibos, Boras, Cocamillas, Indians from far-off, isolated communities, ninety at a time, to learn better agricultural and conservation techniques over a three-month period. The program is bilingual and so far offers instruction in 14 of the 22 Indian languages spoken in the region.

Environmentalists were impressed. "We didn't come here with solutions to the problems of the rainforest – it is clear that the solutions are here already," said Greenpeace's Meg Ruby.

Shipibo Indians whose main income is derived from ceramics are now attending demonstrations at agricultural subsistence plots

Conference delegates subscribed to Coica's proposition that recognising and titling Indian territories would enable indigenous peoples to steward Amazonian resources and defend the rainforest from the "irresponsible development and degradation" that is being permitted even within existing so-called national parks and conservation areas.

Raymond Oppenheimer, present in Iquitos as an observer for the Ford Foundation, summed up: "It's a quid pro quo. The conservationists agree to support titling and consolidation of Indian territory in exchange for a sustainable management system.

This new relationship will rise or fall on that issue."

Strike threatened over election results

THE ARMY and the police have been placed on alert in the Dominican Republic as the Central Elections Board tries to determine the winner of presidential elections held a fortnight ago.

The elections board is attempting to verify earlier counts of the votes which indicated a narrow victory for Mr Joaquin Balaguer, the 83 year-old incumbent president and leader of the conservative Reformist Social Christian Party. However, Mr Juan Bosch, leader of the leftwing Dominican Liberation Party, has accused the RSCP of "perpetrating a colossal fraud", in an effort to maintain power.

Mr Bosch, aged 80, has threatened to call a general strike if the verification of the votes is not done "correctly".

● Miss Eugenia Charles has been returned for a third consecutive term as Prime Minister of the eastern Caribbean island of Dominica in general elections on Monday. 188.

Rebels cut power supplies

A FACTION of Suriname's anti-government rebel group has occupied a major hydro-power station in the centre of the country and has been cutting off power to Paramaribo, the capital.

Government officials in the Dutch-speaking South American country, say the splinter group, calling itself "Angola", is apparently unhappy with efforts by Mr Ronny Brunswijk, the rebel leader, to reach a peace agreement with the Government. Following fighting between the Angola faction and the main rebel group, the Jungle Command, Angola said it wanted its own negotiations with Mr Ramsewak Shankar, the President, and Commander Desi Bouterse, the army leader. The reduction of electricity has seriously affected industrial and commercial activity.

Probe into status of funds in US banks abroad

By Peter Riddell, US Editor, in Washington

THE liability of US banks for deposits in overseas branches that are restricted by foreign governments is to be re-examined after a ruling yesterday by the US Supreme Court which affects the legal status of hundreds of billions of dollars in offshore deposits.

The judgment yesterday, ordering a Federal Appeals Court to reconsider its ruling, does not resolve the basic legal question about the status of such deposits.

The appeal court had ruled, in July 1988, that Citibank in New York was liable to Wells Fargo for $1.06m (£620,000) regarding deposits made with a Citibank branch in the Philippines. However, the latter branch was unable to repay the deposits – made in dollars by Wells Fargo Asia – because of economic regulations made by the Philippines Government in 1983 and intended to stop an exodus of dollars from the country.

The July 1988 ruling was that it was proper to make Citibank liable in New York because the funds were transferred through New York accounts of both Wells Fargo Asia and Citibank-Manila, and because there was an agreement between the two banks to permit collection in New York.

The Supreme Court yesterday ruled, by eight to one, that the appeal court should be bound by an earlier district court finding that there was no agreement. The appeal court has been ordered to reconsider whether, in the absence of an express agreement, Citibank could be held liable as a matter of state, US federal or international law.

Both the New York Clearing House (including leading commercial banks) and the Bush Administration had challenged the appeal court ruling. The clearing house said the latter's ruling "calls into question the legal status of hundreds of billions of dollars of off-shore deposits throughout the world."

It noted that the transfer between the two banks was handled through a standard international electronics payment system.

The Federal Reserve has estimated that 900 foreign branches of 171 US banks hold $240bn in deposits.

More Soviet wheat sales sought

By Bernard Simon in Ottawa

CANADA is to push for expanded wheat sales to the Soviet Union during President Mikhail Gorbachev's two-day visit to Ottawa, which began yesterday.

Canadian officials said that Prime Minister Brian Mulroney would raise the issue of wheat sales with Mr Gorbachev, by way of following Soviet-Canadian talks, which began in Moscow a month ago, on renewing the existing long-term agreement between the two countries.

Under the pact, which will expire this autumn, Canada guarantees to sell – and the Soviet Union to buy – 25m tonnes of wheat over a five-year period. A Wheat Board official in Ottawa said yesterday that the Canadians wanted to extend the agreement for longer than the customary five years and to increase guaranteed volumes.

Canada is the largest supplier of wheat to the Soviet Union, with about 27 per cent of its total imports. Wheat sales, valued at C$514m (£258m) last year, account for three-quarters of Canada's exports to the Soviet Union.

Canada's market share has recently been threatened by aggressive US and European Community suppliers.

No Cold War comfort for summit leaders

All the old assumptions have been shattered, write Peter Riddell and Lionel Barber

THE talks in Washington this week between Presidents George Bush and Mikhail Gorbachev have already been called the first post-Cold War summit. Unlike the previous 14 meetings of US and Soviet leaders over the past 30 years, the discussions will not be about containing superpower rivalry but instead will focus on how to create a new security framework for Europe.

It now looks like the comfortable assumptions of the Cold War era have been shattered in less than a year. President Bush, as much as President Gorbachev, is groping to find a workable replacement to deal with the meaning of German unification and the collapse of the Warsaw Pact.

The contrast could not be greater with Mr Gorbachev's last visit to Washington in December 1987 when he was lionised as the hero of perestroika and glasnost, the acceptable face of Soviet power. Now he comes across as a battered and increasingly vulnerable leader who may well face demonstrations in Washington over his squeeze on Lithuania.

Yet, it is a paradox that Mr Gorbachev remains as popular as ever with the American public, largely because he is seen as having reduced world tensions. He is credited with opening the way to significant reductions in US and Soviet arms and the prospect of a big cut in American defence spending.

The meetings this week are as important for President Bush as they are for President Gorbachev. The US President has taken a characteristically personal view of his relationship with the Soviet leader. He believes he can do business with Mr Gorbachev.

Last week Mr Bush typically said he was looking forward to the more informal "feet-up" session scheduled for this Saturday at Camp David, the US Presidential retreat outside Washington, when they could discuss the future shape of Europe.

After an initially cautious start, Mr Bush and Mr James Baker, his Secretary of State, have committed themselves to the future of Mr Gorbachev as Soviet leader. For the past six months they have avoided any actions or public statements which could be construed as undermining him, even at the risk of appearing to soft-peddle over the blockade on Lithuania. They have not sought to gloat over his serious internal problems, but, in Mr Baker's words, to seek points of "mutual advantage".

American conservatives are increasingly critical of President Bush and Mr Baker for being too willing to make excuses for Mr Gorbachev and for not playing the strong hand the US now has with the Soviet Union. On this view, Mr Baker has made too many concessions to get an agreement in principle this week on strategic arms.

The Bush/Baker counter-argument is that the US should take advantage of Mr Gorbachev's position to lock in agreements because, in the words of one senior official: "We don't know what's coming next." The incidental benefit, of course, is that these deals would be in place if Mr Gorbachev were to be replaced by a more confrontational Soviet leader.

Even so, there are limits to what President Bush is willing to do to help Mr Gorbachev. There will be no direct financial assistance and, at the US insistence, the Soviet Union will not be a net borrower from the new European Bank for Reconstruction and Development.

Mr Bush had to bow to the Democratic Party majority in Congress in delaying a bilateral trade treaty with the Soviet Union – already agreed in principle – because of the Lithuanian crisis.

Depending on last-minute talks, the two leaders should be able to announce broad agreement on a 30 per cent reduction in intercontinental nuclear missiles (Start) and to sign a treaty destroying the bulk of their chemical weapon stockpiles, as well as approving a variety of commercial and cultural accords.

In the past, these arms control agreements might have been regarded as an historic achievement, as was the more limited intermediate range nuclear missile treaty in December 1987. A Start treaty has, after all, been 18 years in the making.

However, these matters appear of less importance this week. Mr Brent Scowcroft, the President's national security adviser, has said the fundamental summit issues are not going to be arms control but "remaking a political map of Germany and also secondarily what's going on in the Soviet Union".

The so-called 2-plus-4 talks (of the two Germanys and the four wartime allies) on the future security arrangements for Germany have reached an impasse. The Soviet Union is insisting that a unified Germany should not be a member of the North Atlantic Treaty Organisation. But President Bush and Chancellor Helmut Kohl of West Germany argue that there should be no limits on the sovereignty of Germany, which they believe should be in Nato.

Mr Bush will want to gauge the room for negotiation in the Soviet position. This also affects the talks about reducing conventional forces in Europe (CFE) which have stalled in the past couple of months. A CFE treaty, involving substantial reductions both in Soviet and US troops in central Europe, is the prerequisite for any agreement on future security arrangements for Germany and the rest of Europe.

The US President wants Nato to be the anchor of this new security framework to provide stability in the face of resurgent nationalism and rivalry in Europe. For the US, Nato serves as the vehicle for continuing American influence in Europe.

But for many European politicians Nato looks increasingly anachronistic compared, say, with the cross-alliance 35-nation Conference on Security and Co-operation in Europe and the potential of the increasingly united European Community.

While Mr Bush has superficially the stronger hand at the summit in relation to Mr Gorbachev, both leaders are grappling with forces in Europe which they cannot control – in marked contrast to the Cold War era.

Bush and Gorbachev to sign air agreement

By Peter Riddell in Washington

AN AGREEMENT to triple the number of airline passengers who can travel between the US and the Soviet Union will be signed at the Bush-Gorbachev summit here this week.

The key issue, now resolved, was the percentage of tickets on US flights from the Soviet Union that can be paid for in roubles. Moscow had insisted that rouble-paying passengers should be limited to 2 per cent of the total; the US had pressed for 15 per cent, seeking to open the market to travellers lacking convertible currencies.

After a stalemate last week, an 8.75 per cent limit has been agreed.

Only Pan American and Aeroflot fly between Moscow, Leningrad, New York and Washington. But, under the agreement, six more US airlines will be able to fly between the two countries, plus a second Soviet airline if one is formed.

The airline deal is one of various commercial agreements expected to be signed at the summit. These include a long-term grain sales deal – guaranteeing at least 10m metric tons in US sales of wheat, feed grains, soya and meal annually – and a maritime treaty to resolve various boundary disputes.

However, it is highly unlikely that the major bilateral trade treaty to lower US tariffs and opening markets will be signed this week, even though the remaining details have been sorted out. This is both because the US pre-condition of a law to liberalise emigration has not yet been passed by the Soviet parliament and because of economic sanctions by Moscow against Lithuania.

Under the deal, the USSR would become eligible for the lowest available US tariffs, while the US would secure better copyright protection for American computer software in the Soviet Union.

In a separate agreement, the Soviet Union will make a start on repaying the Lend-Lease debts of the 1940s and other money owed to the US.

Pinochet reprimanded for human rights statement

By Leslie Crawford in Santiago

PRESIDENT Patricio Aylwin of Chile summoned his predecessor, General Augusto Pinochet, to the presidential palace in Santiago late on Monday to reprimand the army for having uttered political judgments on a national commission investigating human rights violations under the military regime which stepped down in March.

Mr Aylwin made clear that he would not tolerate the army "questioning or discussing decisions taken by the president," according to the Government spokesman.

The rebuke for the general, still the army chief, came after the army had issued a statement at the weekend that questioned the objectivity of the Comission for Truth and Reconciliation set up by the president last month.

The statement said the army feared that the commission would be manipulated by groups seeking to undermine the prestige of the armed forces and of Gen Pinochet in particular. It also questioned the right of the commission to investigate abuses committed before 1978, when the ruling military decreed an amnesty to cover foregoing abuses.

This was the second time in a month that Mr Aylwin and Gen Pinochet had clashed over human rights. The other armed services have decided to seek a *modus vivendi* with the new civilian authorities but Gen Pinochet feels compelled to defend the record of his rule.

Most of the agents of the CNI secret police, for example, came from the army. The CNI was disolved shortly before Gen Pinochet stepped down in March and its members were taken into the army.

On Monday, the president formally asked the general to hand over all the files of the former secret police. These are believed to contain data on the fate of some 800 people who disappeared after being detained by the military regime's security apparatus of the military regime. The files, however, are unlikely to see the light of day. Gen Pinochet told journalists: "What archives? I don't have any."

● Workers of Compañía de Teléfonos de Chile, the main domestic telcommunications company, voted overwhelmingly yesterday for an indefinite strike from tomorrow to back a pay demand.

CORRECTION

Mexican devaluation rate

MEXICO has reduced the rate at which it devalues its currency. It has not announced a 20 per cent devaluation, as incorrectly reported in the Financial Times yesterday.

The devaluation is part of Mexico's Pact for Economic Stability and Growth, the government's anti-inflationary economic stabilisation programme. The pact – an agreement between the government, business leaders, the mainstream labour movement, and the official small farmers' organisation – has now been extended from August 1 to January 31, 1991.

Since the beginning of 1989, the peso has been depreciated against the US dollar by one peso every banking day – an annual rate of 14 per cent. It will now be depreciated at the rate of 80 Mexican cents to the dollar every banking day, starting from this week. This reduces the annual rate of devaluation to about 10.5 per cent.

The agreement also freezes wages and prices on private-sector goods but allows the government to charge more for petrol. There was no agreement to an increase in the daily minimum wage, now set at just under 10,000 pesos.

Mr Salinas described the adjustment as "the consequence of a strengthening of public finances and of more stable conditions in the principal economic indicators."

He said that businessmen "would benefit from the adjustment of the exchange rate and lower interest rates, decreasing their costs and consolidating a more favourable environment for investment".

UK NEWS

Economy slows despite strong industrial figures

By Rachel Johnson

GROWTH in the UK economy slowed in the first quarter of the year in spite of strong performances from the manufacturing and services sectors, figures indicated yesterday.

Preliminary estimates from the Central Statistical Office suggested that the output of the whole economy was 0.4 per cent higher than in the previous quarter. The year-on-year growth rate moderated from 2.2 per cent to 1.5 per cent.

The UK equity market rose sharply as traders appreciated the fact that the economy was still managing to register a positive growth rate in spite of the Government's long regime of high interest rates.

The figures indicated a gradual slowdown in economy without the damage to corporate profits wrought by negative growth rates in a recession. The FT-SE Index finished 30 points higher to 2,295.6.

The Treasury welcomed the figures as evidence of a slowdown in the economy after a batch of economic statistics had already this month shown an unsettling resilience of domestic demand.

Within the service sector, the output of distribution, hotels and catering was 0.5 per cent higher; manufacturing output was 1 per cent higher while the output of the energy sector dropped by 3 per cent. This decline was attributed to a mild winter and storms in the North Sea.

The Treasury said the figures "confirmed the picture we are trying to give. The year-on-year rate has dropped."

The GDP series were commensurate with a selection of indicators this month, it said.

These were the sharp drop in car registrations in April, a decline in new housing starts and the EC/Gallup consumer confidence poll.

All of these indicated a weakening in domestic demand compared with last month's retail sales and trade figures, which pointed in the opposite direction.

Analysts, however, suggested that after a prolonged period of high interest rates, the economy should be slowing faster. The year-on-year rise was "a little larger than people wanted", said Mr Simon Briscoe, UK economist at Greenwell Montagu, the investment house.

Anglo-French N-policies show close 'similarities'

BRITISH and French policies on the control of nuclear weapon proliferation and export of nuclear technology are virtually indistinguishable, according to a UK think-tank specialising in nuclear weapon studies, writes David Fishlock, Science Editor. It says that is the case even though Britain has signed the Non-Proliferation Treaty and France has not.

France is now "far more relaxed with regard to its nuclear uniqueness," argues Dr Harald Muller, director of international programmes at the Peace Research Institute, Frankfurt, in a report for the Centre for International Policy Studies at Southampton University. He says the two nations differ only in public attitudes and statements.

But he adds that only top-level lobbying by other European states will persuade France to sign the Non-Proliferation Treaty (NPT). There is no sign of it yet, Dr Muller says.

Dr Muller traces the history of French policy towards nuclear weapons from the 1940s, when French scientists – unlike the British – were excluded from the US project to make the atomic bomb.

Falling into line? Centre for International Policy Studies, Department of Politics, Southampton University, Southampton SO9 5NH, No charge.

Shareholder action wins better offer for Verkade

By Laura Raun and Nikki Tait

REBELLIOUS Verkade shareholders yesterday won their demand for a sweetened bid from United Biscuits, paving the way for the UK biscuit maker to acquire the Dutch chocolatier. The company is offering revised terms of Fl 447 ($79.67) a share, valuing its target at around Fl 296m.

Resistance from the institutional shareholders, who control about 45 per cent of Verkade's common shares, crumbled after several days of negotiations with UB brought a 12 per cent increase in the UK group's initial offer of Fl 400 per share.

Their block will give UB about 86 per cent of Verkade's common shares. The UK company already owned a 22 per cent stake and had acceptances for its original offer in respect of a further 20 per cent. Investors holding the remaining 15 per cent are also expected to tender, according to Verkade's advisers.

Yesterday, Mr Robert Clarke, chairman and chief executive at United Biscuits, conceded that the revised bid for Verkade was a "compromise deal" and that UB had been surprised by the institutional opposition. "We would have preferred that it had not happened," he said.

But UB still maintained that the earnings dilution will be relatively mall in the first year – around £500,000 in 1990 – and that there will be earnings enhancement thereafter.

The new price will paid for all the shares which UB does not own. However, given the 22 per cent stake which it already owned, the UK group said that its average buying price would be reduced to Fl 436.5 per share.

UB launched its bid in early April. It had secured all the necessary agreements with management, but ran into the shareholder obstacle. By getting a bigger piece of the cake, the institutions, who have been traditionally passive shareholders, may inspire other Dutch financial institutions to take a more active role in their investments.

Logica warning shakes computer services sector

By David Owen

THE computer services sector was shaken yesterday by a profits warning from Logica, one of the largest independent software companies in the UK.

Logica's statement, which indicated that profits for the six months to June 30 would be "significantly below market forecasts", wiped 80p or more than a quarter off the group's share price and seems sure to give rise to fresh takeover speculation.

It came about ten weeks after the announcement that Mr Philip Hughes, chairman and co-founder, is to step down to pursue a full-time career as a painter.

"I suppose it (the profits warning) makes us more vulnerable (to takeover)", Mr Hughes said yesterday.

The computer services sector is already perceived to be in a state of flux, with questionmarks hanging over both SD-Scicon and Hoskyns, two of Logica's principal UK rivals.

Earlier this month, talks between SD-Scicon – in which British Aerospace has a 25 per cent stake – and Sligos of France were abandoned after it was decided that the possible areas of collaboration did not justify a long-term strategic alliance.

Meanwhile, a controlling interest in Hoskyns has been up for sale since the joint takeover of Plessey by GEC and Siemens.

In contrast to Logica's difficulties, Rolfe & Nolan Computer Services, the futures and options software specialist, yesterday announced a 50 per cent increase in 1989-90 profits.

The USM company said it had benefited from strong growth in software licence revenue.

Logica's current problems lie principally in its US operations, which it now expects to trade at a "significant" loss during the year largely because of a failure to clinch a number of "high value" product sales and licence revenues by the financial year-end.

Up to $1m of second half restructuring costs have also been incurred.

According to Mr Hughes, the reorganisation will cut annual US costs by some $4m.

In the UK, Logica said it had experienced similar sales difficulties "albeit on a smaller scale."

In both cases, the main problems involve customers in the finance sector which accounts for over 30 per cent of the group's business.

It also warned that "additional resources" would be necessary to complete two major fixed-price projects, one in the UK and one overseas.

The combined cost overrun for the two projects is thought to be about £2m.

In the six months to end-December, the group reported pre-tax profits of £6.02m – a fall of 19 per cent.

Brooke steps warily in minefield of Ulster

The cautious approach is working in Ireland, write Ralph Atkins and Kieran Cooke

NOT many expected Mr Peter Brooke, Northern Ireland secretary, to get this far.

After five months of negotiations conducted in gentlemanly spirit with the province's political parties, there is hope that talks on its political future could be under way by the end of the year.

In Northern Ireland – where passion and defiance are often more visible than consensus and co-operation – that change of mood is an achievement in itself.

But Mr Brooke – known for his metaphors – realises he has only reached the first stepping stone across a wide river. Past Northern Ireland secretaries have got further only to find their aspirations sunk without trace.

Since the signing of the Anglo-Irish Agreement more than four years ago, politics in Northern Ireland have been as firmly entrenched as ever; the positions of the Unionists, nationalists, British and Irish Governments seemingly irreconcilable.

When Mr Brooke claimed in January that there was "enough common ground" to make talks worthwhile, the cynical view was that he was simply putting the ball in the court of the local politicians – and leaving it to them to decide who would get the blame for blocking progress.

Now Mr Brooke says that he detects a political will to make progress. His proposals for starting talks has won backing from the Unionists, the mainly Roman Catholic Social Democratic and Labour Party, and the Irish Government.

"We can state, with a certain degree of consensus, that progress has been made" said Mr Gerry Collins, the Irish Minister for Foreign Affairs, after his meeting with Mr Brooke in Dublin this week. Yet Mr Brooke knows that even amid the continuing terrorist hostilities that blight Northern Ireland, it will require still more goodwill if the talks that could take place are to be successful.

A history of failed initiatives stretches behind him – from Mr William (now Lord) Whitelaw's power-sharing deal of 1973-74 to the "rolling devolution" of Mr James (now Lord) Prior. Mr Brooke's "textbook" approach has relied heavily on charm and discretion – and an almost mathematical approach by civil servants to resolving simultaneously the matrix of demands and preconditions set by each side.

Up for discussion in any talks would be three sets of relations – between the communities within Northern Ireland, relations between the North and the Irish Republic and relations between Dublin and London.

Mr Brooke appears to have convinced both pro-British Unionists and nationalists – and the Irish Government – that no side will lose by entering into discussions.

For the Unionists, Mr Brooke has had to appease vitriolic hatred of the Anglo-Irish Agreement which, they argue, gives the Irish Republic a meddlesome role in the Province's affairs.

Peter Brooke: there is "enough common ground" for talks

He has persuaded Unionists to come out of their political laager by hinting about a new form of Anglo-Irish Agreement and by agreeing to possible breaks in the meetings of the Anglo-Irish conference and a suspension in the workings of the Anglo-Irish Secretariat at Maryfield, near Belfast.

At the same time Mr Brooke seems also to have convinced unionists that they must recognise that if a new agreement is to be discussed, not only the nationalists within Northern Ireland, but also Dublin, should be involved in the negotiating process.

One part of the albeit rather rickety negotiating table therefore appeared to have been completed.

Next, Mr Brooke set out to persuade the SDLP that by talking about a new Anglo-Irish Agreement he was in no way threatening hard-won nationalist gains. Nor was he suggesting a return to the position before the 1985 Agreement.

Rather he was proposing talks which dealt with all dimensions of the Northern Ireland problem.

Both the SDLP and the Irish Government have argued that such a broad ranging approach is essential to an eventual settlement of Northern Ireland's problems.

The trick has been in reaching an agreement that will bring Dublin into talks at an appropriate moment – satisfying Ireland's wish to take an early part without provoking the Unionists.

The Irish Government has said that the present Anglo-Irish Agreement "is not written in stone" and could at some time be superseded by other arrangements.

Irish officials have been fulsome in their praise of Mr Brooke's crusade to come up with a formula that satisfies all parties. But they, like Mr Brooke, are being very careful not to disclose many details.

Mr James Molyneaux and the Rev Ian Paisley, leaders of the Official Unionists and Democratic Unionists respectively, declared themselves "well satisfied" with the results of their talks with Mr Brooke.

Yet it remains unclear how committed they will be to seeing further progress – if only because of differences within the Unionist camp.

Mr Molyneaux is widely-regarded as a "integrationist" favouring stronger links with the mainland rather than devolution; Mr Paisley is a past opponent of "power-sharing" with minority parties.

That leaves Mr Brooke with many more stones to cross before there can be talk of real political progress in the province.

But, after years intransigence, there is at least a whiff of political flexibility and compromise in the air.

Trade office starts inquiry into TV production

By Raymond Snoddy

THE OFFICE of Fair Trading has begun a preliminary investigation into the independent television production sector in the UK.

The main thrust of the inquiry is to see whether there is an imbalance in the contractual relationships between the broadcasters – the BBC, ITV companies and Channel 4 – and the independent producers.

The central concern is over copyright and the extent to which independents have to surrender their rights to future exploitation of a programme when they are commissioned by the big broadcasters.

Last week at a broadcasting conference in Luxembourg, Mr Jean Dondelinger, European Community Commissioner responsible, made it clear copyright was an area that had to be looked at.

Mr Alain Modot, head of the French independent producers association, said that until independents were able to retain the copyright in their own programmes, and had a direct interest in exploiting them, it would be very difficult to create a single market for programmes in Europe.

The inquiry in Britain, scheduled to take three weeks, is designed to find out quickly whether there is a need for a full formal investigation.

The request for an inquiry has come from the Home Office and the Department of Trade and Industry and is partly a response to fears by independent producers that broadcasters are dragging their feet on the move to independent production.

The broadcasting bill now before Parliament specifies that independents gain access to 25 per cent of the UK's airwaves, excluding news and news-related current affairs.

In the case of the BBC, the OFT will have responsibility for monitoring the corporation's performance to see that, as with ITV, the 25 per cent figure is reached by the end of 1992. Last year the BBC sought to extend this deadline to the end of 1994 but Downing Street refused.

Electricity generators told to hold £1bn coal stocks

By David Thomas, Resources Editor

THE GOVERNMENT has instructed National Power and PowerGen, the two electricity generators heading for privatisation, to hold about £1bn worth of coal stocks as insurance against a miners' strike.

The instruction is contained in an unpublished directive by Mr John Wakeham, Energy Secretary, to the two companies. It shows the concern which still exists in the Government about industrial action by the miners, despite the defeat of the miners' strike in 1984-85.

Mr Arthur Scargill, president of the National Union of Mineworkers, last week called for industrial action to prevent another round of job losses announced by British Coal.

Mr Wakeham has used a little noticed section of the 1989 Electricity Act to instruct National Power and PowerGen jointly to hold not less than 27m tonnes of stocks at the beginning of each winter and not less than 22m tonnes at the end of winter. This is equivalent to about a third of the total coal due to be delivered by British Coal to the two generators this year.

National Power is understood to have been instructed to hold 16m-13m tonnes, while PowerGen has been ordered to hold 11m-9m tonnes.

National Power and PowerGen are understood to have told the Government that the stocks, described by the Government as "endurance" stocks, are much higher than they would choose to hold if they were free to exercise a commercial judgement.

However, someone close to the discussions said: "The Government has maintained a very hard line on this."

The generators fear that the directive could hinder them from buying cheaper foreign coal at the end of their present

John Wakeham

three-year contract with British Coal.

Mr Wakeham's instruction has also led to a fierce argument behind the scenes about how these stocks should be valued after the privatisation of the companies, scheduled for early next year.

The Government wants the stocks to be valued in the companies' accounts at the British Coal price. This would value the stocks at about £1bn.

However, the generators are concerned that they would have to make large write-offs of the value of the stocks if they opt to buy more coal from abroad in three years' time.

An alternative suggested by the generators is for the stocks to be valued at the world market price from the outset. This would cut the value of the stocks by about a third.

However, the Government is understood to have objected to this, because it would represent a clear signal of the generators' plans to boost coal imports. The Government also wants to keep to a minimum provisions on the generators' balance sheets when they are sold.

The value of the coal stocks is also important to decisions still to be made about the generators' debt levels and capital structures. These decisions will in turn affect the total proceeds for the Exchequer from privatisation.

The Department of Energy last night tried to play down the importance of the directive and of the decision not to publish it. It said the directive simply carried over to the private sector arrangements which applied to the former Central Electricity Generating Board.

Finnish and Irish companies seek contract to run UK power station

By David Thomas, Resources Editor

TWO state-owned overseas electricity companies are competing to operate the proposed power station at Corby, one of the new wave of independent stations which the new electricity market is encouraging.

Imatran Voima Oy (IVO), the Finnish electricity utility, and the Electricity Supply Board (ESB), its counterpart in the Republic of Ireland, are bidding to run the Corby station.

The winner of the contract will become the first overseas nationalised utility to run a power station in Britain.

East Midlands Electricity and Hawker Siddeley, the two companies behind the Corby project, turned to an overseas electricity utility because they did not want to run the power station themselves. "There are not many people in the UK who know how to run power stations," explained Mr Philip Champ, East Midlands's director of corporate development.

The only other source of power station expertise in Britain is in the established generators, against whom Corby will be competing.

Mr Champ added that whoever wins the operators' contract will be asked to show commitment to the project by taking up to about 10 per cent equity in Corby. "One way of giving them an added incentive to the success of the project is to include them in the equity," he said.

The idea of a contract to operate a power station is a novel one in Britain. Mr Champ said that the intention was to give a seven-year operators' contract initially to either IVO or ESB.

BRITAIN IN BRIEF

Consumers shun beef, report says

As Austria yesterday became the latest country to ban UK beef imports, a new survey reported British consumers shunning domestic beef supplies, over concerns that humans could become infected with bovine spongiform encephalopathy (BSE), a fatal virus affecting cows' brains.

The Soviet Union, Saudi Arabia, Australia, Finland, Israel, New Zealand, Sweden and the United States have all banned imports of live British cattle born before July 18 1988, with the EC banning imports of British cattle more than six months old.

The survey, by the Nielsen market research group, reported British consumer confidence in eating beef has been "severely shaken" over the past year.

Fleming admits SFO inquiry

Robert Fleming, the merchant banking group, yesterday confirmed that the Serious Fraud Office is investigating alleged irregularities discovered in its foreign exchange dealings last year.

A spokesman for the group said that Robert Fleming had reported the irregularities to the SFO a year ago and the investigation had been under way since then.

The group is taking legal action in the Swiss courts to recover funds from Mr Ken Ellis, its foreign exchange director until his dismissal in June last year, and Mr Kevin Mattimoe, a former employee who left the group two years ago.

Robert Fleming yesterday declined to comment on the sums involved in the alleged fraud but indicated that they were likely to be lower than the $6m figure suggested in press reports. No clients of the group have been affected by the alleged fraud.

Ulster police call for security

The Police Federation for Northern Ireland, which represents around 12,000 officers up to the rank of chief inspector, yesterday called for more protection for front-line police officers in the province.

Mr Sam Beattie, Federation chairman, said officers who were not the subject of specific terrorist threats had difficulty in getting financial help for protective measures at their homes.

Hurd calls for Mid East talks

Foreign Secretary Douglas Hurd yesterday called for a Palestinian-Israeli dialogue and expressed fears the situation in the occupied territories could deteriorate with Soviet Jewish immigration, the Kuwait news agency (KUNA) said.

It quoted Hurd as saying

Douglas Hurd: dialogue call

the situation in the occupied West Bank and Gaza Strip was unjustifiable and unsustainable and "could be made worse" by the influx of Soviet Jewish immigrants. "What is required is dialogue between the Palestinians and Israel." Mr Hurd said.

Hilton wins poll tax ruling

Hilton International, the hotel chain, has successfully appealed against collecting its employees' community charge at one of its largest London hotels.

Hilton, which owns 33 hotels in the UK, is believed to be the first hotel group to formally protest against what is an emerging trend of local authorities imposing collective community charges on hotels with live-in staff.

The community charge is intended as a tax on the individual, but local councils have the discretion to designate premises – such as hostels – for a collective charge where it is considered the residents are non-permanent.

Study praises older scientists

The popular notion that mature scientists are less creative and less productive than their younger colleagues is untrue according to a study by European industrial research managers.

But mature scientists may seem to be more difficult to manage and less flexible, because they are differently motivated, the managers conclude. "Mature" is defined as between 45 and retirement for the purpose of the study carried out by the European Industrial Research Management Association, club of about 170 science-based companies, with headquarters in Paris.

The study was carried out through a workshop under the chairmanship of Dr. D. Werthemann, head of physical chemistry with the dyes and chemicals division of Ciba-Gigy in Switzerland.

Howard attacks Social Charter

Obligations imposed on companies by the European Community's planned Social Charter could damage efforts to reduce unemployment, the Employment Secretary Michael Howard claimed today. He told the EC's Social Affairs Council in Brussels that some of the charter's measures would reduce competitiveness.

He said: "There are a number of proposals which seem to me certain to add unnecessarily to employers' costs; certain to reduce the efficiency and competitiveness of our firms; and certain therefore to damage the chances for unemployed people in the UK and in the Community to find jobs."

The first directives, on social security benefits, severance pay, and protection for part-time and temporary workers, are due to be published on June 6.

Mr Howard urged EC members to consider the effects on jobs of each proposal and to be "flexible" if efforts to cut unemployment were to succeed.

Grampian gets £20m bus funds

Grampian Transport is poised to become one of the UK's largest privately owned bus companies. Aberdeen company said today it has secured a major £20 million funding facility to allow it to make "very significant new acquisitions."

The funding facility was arranged by Touche Ross Corporate Finance and is being provided by Bank of Boston who structured the deal and have also syndicated a portion of the funding to the Bank of Scotland.

Brown warns of 'grim summer'

Industry faces a grim summer and autumn with job losses and bankruptcies, Labour's shadow Trade and Industry Secretary Gordon Brown warned yesterday.

Mr Brown said: "The latest CBI figures and survey foreshadow a grim summer

Gordon Brown: grim warning

and autumn for industry with job losses and business bankruptcies already on the increase because of Government economic incompetence and high interest rates for home-owners likely to remain for some months."

FT LAW REPORTS

Digest of cases reported in the Easter Term

FROM MAY 1 TO MAY 11

Davis and another v Richards & Wallington Industries Ltd and others (FT, May 1)

A contributory pension scheme was set up in 1975 and terminated in 1982 when the company ran into trading difficulties and receivers were appointed. The trust deed was silent as to the destination of the surplus of an estimated £3m. The fund had been fed from employees' contributions, transfers from other pension schemes and employer's contributions, all made under contract. Holding that there was a resulting trust in favour of the employers, Mr Justice Scott stated that equity should treat the employers as entitled to claim surplus, or so much of it as was derived from overpayments. There was no express provision excluding a resulting trust, and no circumstances from which such an implication could be drawn. On the other hand, circumstances pointed to the exclusion of resulting trust in favour of employees, who had contributed in return for specific benefits, the value of which was different for each employee. Legislative requirements, too, placed a maximum on the financial return for each employee.

Midland International Trade Services Ltd and others v Sudairy and others (FT, May 2)

Under three contracts, two of which contained an English proper law clause, the plaintiffs provided finance to a Saudi Arabian company and then proceeded in Saudi Arabia to enforce the defendant's liability on guarantees and promissory notes under those contracts. The plaintiffs' efforts to enforce the orders were unsuccessful and they served a writ on the defendant out of jurisdiction under Order 11 rule 1(1). In refusing an application to discharge the writ, Mr Justice Hobhouse stated that although there was an irregularity in the plaintiff's supporting affidavit, the court was prepared to waive it. In *Metall und Rohstoff [1989] 3 WLR 563,581* Lord Justice Slade said that the Order 11 procedure was designed to ensure that court and defendant were fully apprised as to the nature of the legal claim and the documents in the present case satisfied those criteria. Moreover, the Riyadh judgment was unimpeached and must be recognised as a final decision of a court of competent jurisdiction giving rise to a judgment debt so that there was no reason why Order 14 judgment should not be entered.

House of Spring Gardens Ltd and others v Waite and others (FT, May 4)

Mr Waite had induced the plaintiff inventor of a bullet proof vest to impart all the valuable information to the defendants on the strength of an oral agreement that there would be a joint venture to supply the vests to Libya for an equal share in the profits. In breach of the agreement, Mr Waite then signed a contract for £5m with the *Libyan* army and manufactured the vests in Ireland in secret. The plaintiffs launched actions in the UK and Ireland for damages for misuse of confidential information and breach of copyright and obtained judgment in Ireland for £3,474,570 plus interest. The defendants then launched an unsuccessful action that the judgment had been obtained by fraud. On appeal by one of the defendants, who had not been party to the litigation concerning the fraud, the Court of Appeal stated that in the present case all three defendants were joint tortfeasors and judgment against them was joint and several. Further, it was not in the interests of justice and public policy that the issue of fraud be litigated again once it had already been tried and determined.

Micklefield v SAC Technology Ltd (FT, May 8)

The employee, Mr Micklefield, obtained an option to subscribe for shares in the group's parent company. Clause 4.3B provided that if the option holder ceased to be employed within the group for any reason whatsoever, then the option granted would lapse. Nine days after the plaintiff stated that he wished to exercise the option, his employment was terminated and he was told that the share option ceased to be exercisable. Mr W J Mowbray QC, sitting as a deputy High Court Judge, stated that the question was whether on the true construction of the contract of employment and the share option scheme, he was entitled to recover damages for loss of his option where, for the purposes of the preliminary issue only, it was assumed that he had been wrongfully dismissed in breach of contract. In the option scheme paragraph 4.3B referred to the status or relationship, not to the contract. Mr Micklefield had ceased to be employed when he was wrongfully dismissed within the terms of that paragraph even if some other aspect of his contract might have continued in force.

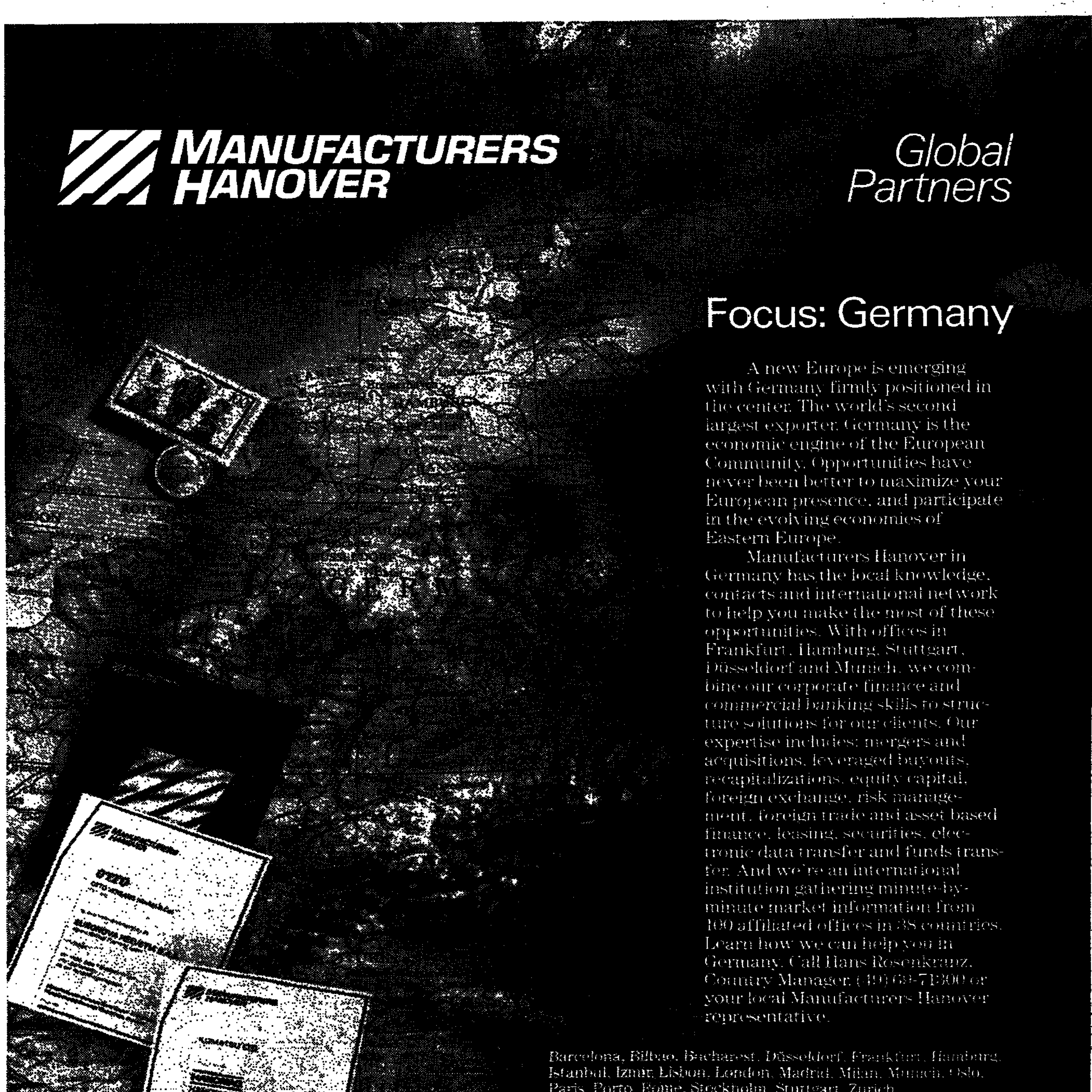
Medway Packaging Ltd v Meurer Maschinen GmBH & Co (FT, May 9)

Meurer, a West German engineering firm, agreed to appoint Medway as exclusive UK distributor of its drink and stretch-wrapping machines but Medway alleged that Meurer appointed another company as UK distributor. In claiming damages for breach of contract, Medway contended that the place of performance of the obligation was in the UK under Article 5 of the Civil Jurisdiction Convention. The present appeal was from a decision of Mr Justice Hobhouse, who refused to set aside service of writ on Meurer in West Germany. In dismissing the appeal, the Court of Appeal stated that the court was dealing with a repudiation which consisted in (a) failure to give reasonable notice of determination and (b) appointment of another UK distributor. Unless there was some provision to the contrary, a requirement to give notice to an English company carrying on its business in England had to be interpreted as an obligation to give notice at the company's place of business in England, and that could be regarded as the principal obligation in the case.

Indian Oil Corporation Ltd v Coastal (Bermuda) Ltd (FT, May 11)

In an award, the arbitrators found against the sellers who applied for an order remitting the award pursuant to the court's power under section 22(1) of the Arbitration Act 1950. The arbitrators' reasons had stated that the sellers' defence could have been formulated in a less restricted way as there were findings of fact which the evidence tended to support but were not amplified. Mr Justice Evans stated that if the evidence before the arbitrators disclosed facts which established a defence to the claim, but they failed to take account of that defence because the legal issues were not correctly formulated in the sellers' pleadings, there had been an injustice to the sellers which could be remedied by remitting the award under section 22. Justice had to be applied in the present context between two parties who had agreed their dispute should be resolved by arbitration and that the award should be final but the power to remit could and should be exercised when there was otherwise the likelihood of a substantial miscarriage of justice.

Aviva Golden



CONTRACTS

North Sea oil plans

JOHN BROWN, the Trafalgar House engineering division, has won a contract (believed to be worth in the region of £25m) for a 100MW power generating plant for Occidental's North Sea Piper Field redevelopment project. The power plant will be based on four heavy-duty industrial turbines.

Since 1975 John Brown has supplied 20 heavy-duty industrial gas turbines for the generation of more than 484MW of power for North Sea projects.

The turbines are designed to operate on associated gas which is less expensive than liquid fuels, providing energy savings. Further savings will be made by the recovery of heat from the turbine's exhaust which, when passed through heat exchangers, will provide heat for on-platform systems.

★ ★ ★

BP Exploration has awarded a contract, worth about £20m, to **BROWN & ROOT** for the detailed design and procurement work on BP's Kinneil terminal expansion project.

The Kinneil project forms the major part of BP Exploration's £310m expansion of the Forties onshore pipeline system.

The contract, for detailed design, procurement and construction support, is for a three-year period and work starts immediately. Construction contracts are scheduled to be awarded early in 1991.

The project staff in Glasgow will total about 300, peaking in the first quarter of 1991. Project numbers will include the B&R design team, support staff and a BP project management team, based in Glasgow.

The Kinneil terminal project is designed to increase BP Exploration's capacity to transport and process North Sea oil and gas liquids through BP's Forties pipeline system.

The Kinneil project is part of a major expansion which involves BP Exploration's oil and gas handling facility at Kinneil, together with BP Chemicals' ethylene manufacturing plant at adjacent Grangemouth. The two projects represent the biggest ever onshore investment by BP in Scotland.

Construction work at Kinneil will start in January 1991 and be completed by the third quarter of 1993.

The Kinneil terminal expansion follows a decision announced by BP Exploration in June 1989 to replace the existing Forties offshore pipeline this year with a new £162m larger diameter pipeline, increasing the capacity of the Forties system from *630,000* barrels of oil a day to 900,000.

★ ★ ★

C H INDUSTRIALS has won a contract, worth £54m, from London Underground. C H Industrials' subsidiary, Tickford, has been contracted to refurbish some 753 coaches over a four and half year period. The refurbishment of these trains on the Victoria, Bakerloo and Northern lines has been commissioned by London Underground to meet the highly specified fire safety and resistence standards now required and Tickford is also ensuring that improved passenger comfort and convenience is incorporated. The contract is the largest placed by London Underground to date as part of its refurbishment programme.

★ ★ ★

As part of its £85m investment programme at the Rover Group's principal press shop at *Swindon, the company* has been involved in negotiations with Clearing Europe, European subsidiary of **HITACHI ZOSEN**. The Rover Group is to purchase a 5000-ton transfer press from Hitachi Zosen in an order worth almost £15m. The press, to be operative mid-1991, will be making panels for the Rover 200 series.

★ ★ ★

The aviation engineering division of **BBA GROUP** has been awarded a US$17m (£10m) contract to install collision avoidance and windshear systems in Continental Airlines' fleet of over 300 aircraft. The order was won by US subsidiary Page Avjet Corporation and is due to commence shortly with completion in 1993.

Navigation system

VSEL CONSORTIUM has won a contract worth almost £500,000 to supply the Royal Navy with a navigation data distribution system for surface warships. The system will initially be fitted to the Invincible class aircraft carriers and Type 42 destroyers. Topexpress, Cambridge-based subsidiary of VSEL Consortium, has a £200,000 order from the Ministry of Defence for a study on the application of active noise control to naval vessels.

★ ★ ★

MARKHAM, a Trafalgar House company, has won heavy engineering contracts totalling £1m from Kvaerner Boving. Largest is for making four radial spillway gates to be installed on the Claw Dam on Zimbabwe's Umswese River.

★ ★ ★

The Tanzanian Railway Corp has chosen **DAVIES AND METCALFE** automotive air brake equipment for a batch of 30 container wagons, to be delivered in September.

★ ★ ★

STONE INTERNATIONAL's UK operation has secured an order worth over £5m from *BREL* for the supply of heating and ventilation equipment for the rolling stock for the London Underground's Central Line. The equipment for the 680 passenger cars and 191 cabs was engineered at Stone UK's new facility in Dartford. The units include electronic temperature controls.

MANAGEMENT

As North American and British banks rushed during the 1980s to stake their place in the securities business, warnings abounded that these traditionally cautious and bureaucratic institutions would have to keep their distance if they wanted to preserve the entrepreneurial flair of their new brokerage units.

Such concerns were taken to heart by most of the Canadian banks which bought control of securities firms after the "Little Bang" of June 1987 lifted curbs on outside ownership of brokerages. To this day, Royal Bank of Canada, Bank of Nova Scotia and Bank of Montreal carefully limit contacts with their new securities arms.

"We believe there are some differences between the two kinds of business," says Paul Taylor, executive vice-president at Royal Bank of Canada, which bought a 75 per cent stake in RBC Dominion Securities, the country's biggest investment dealer.

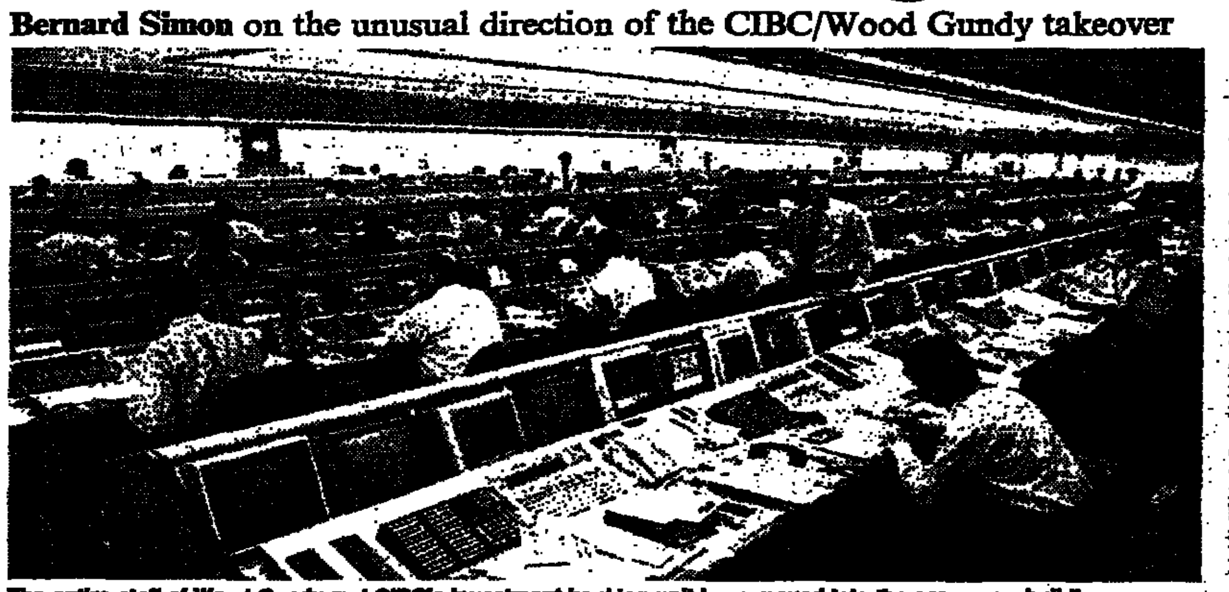
There have been few staff exchanges, little meshing of overlapping operations and only the broadest management supervision by the banks. Many senior people in the brokerage firms want to keep it that way.

Things are very different at Canadian Imperial Bank of Commerce and Wood Gundy. Since Canada's second biggest bank paid C$190m in June 1988 for a 62 per cent stake in Wood Gundy, much of the effort of both bank and brokerage firm has been directed towards meshing their resources.

Canadian banking

The security that comes from a close marriage

Bernard Simon on the unusual direction of the CIBC/Wood Gundy takeover



The entire staff of Wood Gundy and CIBC's investment banking unit have moved into the same new building

The closeness of the marriage became evident at the end of March when the entire staff of Wood Gundy and CIBC's investment banking unit moved into the same new building in Toronto. CIBC's foreign exchange and money market traders now sit in the same room as Wood Gundy's fixed income and swaps dealers.

The philosophy is also vividly reflected in personnel exchanges. No one was especially surprised when CIBC installed one of its senior executives as Gundy's president shortly after the takeover. But two of the other three divisions in CIBC's investment bank are now headed by former Gundy executives. The bank is putting another Gundy man in charge of both groups' back-office operations in London.

"Our biggest challenge is not to see how we can co-exist with the bank," says Edmund King, a 32-year Gundy veteran and the firm's chairman and chief executive officer. "That's not even an issue today. Their culture hasn't overwhelmed us or turned us into computer punch-cards." Another Gundy man can't resist a bit of one-upmanship: "I think the investment bank is being run by Wood Gundy," he says.

Although CIBC insists that it would not have done things differently, the decision to take an active hand in the management and future of Wood Gundy was partly forced on the bank.

With capital of C$250m, Gundy is one of Canada's biggest and oldest securities firms, and a pillar of the Toronto establishment. But the firm was in deep trouble in early 1988. Its capital base was strained by a C$40m loss in October 1987 as the lead Canadian underwriter of the British Petroleum share issue.

Morale was also sapped by two abortive attempts to find a strong equity partner, including a deal with First National Bank of Chicago which was called off after the BP fiasco. Some of Gundy's most productive retail salespeople had defected to another firm. Management was weak as the then chief executive neared retirement.

"What I found was that there wasn't a very high premium on managing the business," says John Hunkin, the CIBC executive who became Gundy's president in July 1988. "The nature of the business is that those who generate revenue are the kings." Most of the shots were called by the corporate finance department, often neglecting the more marketing-oriented retail group.

The challenge for the bank has been to bring Gundy under its wing without smothering it, dovetailing the securities firm into the bank while avoiding the appearance of wholesale integration. The man who oversaw the deal, CIBC Investment Bank president, Paul Cantor, says that the bank tried to avoid imposing what he calls "a range of macho ego changes."

From the outset, the bank insisted that part of the securities firm's equity should remain in the hands of its employees, even though some of them initially urged it to buy a 100 per cent stake.

CIBC allowed Gundy, despite the rough shape it was in, to keep its name, logo and corporate colours intact. A key element in the bank's strategy was to work through Gundy section by section, rather than trying to impose anything on the firm as a whole. "As long as you keep approaching issues on a segmented basis in terms of profitability and enhanced customer service, it's remarkable how much you can achieve," Cantor says.

The bank and the securities firm gave top priority to eliminating the overlap between their businesses. Every business common to the two was examined from the point of view of its depth of organisation, its support systems, and its place in the two companies' overall strategy.

Choices were then made. For instance, Gundy shifted its unprofitable money market operations to CIBC as it became clear that the bank's extensive retail network would play an increasingly important part in distribution of money market products.

On the other hand, CIBC folded its Eurobond and much of its other London-based investment banking business into the securities firm; its London office has long been one of its main strengths.

Although Gundy had a smaller swaps operation than the bank, the key role swaps play in Euromarket underwriting as well as the strength of Gundy's marketing team, justified putting the entire swaps department in the hands of the securities firm. Two joint ventures have been formed, one for commercial paper activities, the other a merchant bank named CIBC Wood Gundy Capital.

The merchant bank is headed by Richard Venn, who is both a Gundy vice-chairman and an executive vice-president of the bank. Venn carries both Gundy and CIBC business cards, depending on whether, as he puts it, "the client wants the money but not the advice, or vice versa."

Hunkin has put in place at Wood Gundy some of the management systems that other companies take for granted. "There was very little information to tell you which businesses were profitable, and which weren't," he recalls. "We went through the whole firm and broke it down into a full-cost allocation process for all business lines."

Three key executives at the time of the takeover – the chairman, president and chief financial officer – are no longer with Gundy. The urbane Edmund King, 56, remains chief executive and the firm's chief spokesman; but, Hunkin, 44, the more forceful man from CIBC, is clearly the driving force within the company.

Lower down the ladder, the bank has tried to bring Gundy's retail salesforce into closer contact with its extensive branch network, with the aim of each group referring as much business as possible to the other.

Every Gundy broker has been allocated to one of CIBC's 1,500 branches. Among the methods used to encourage broker and bank manager to work together has been a series of "recognition lunches" at which senior management presents awards to those most active in working together.

As an experiment, a Gundy broker in the western Ontario steelmaking centre of Sault Ste Marie has moved into the local CIBC branch. With almost all the new structures in place, the focus has now shifted to making the widest possible use of each other's products.

According to Cantor: "We saw the financial marketplace as a spectrum, but we see ourselves in banking as being able to offer only a part of that spectrum." As he sees it, the Gundy acquisition has given CIBC access to another part. CIBC has started selling Wood Gundy's stable of Hyperion mutual funds, while the securities firm's brokers solicit retail deposits for the bank.

In expanding its business, Gundy is concentrating on the upper end of the corporate market and the upmarket retail investor. The retail arm has been considerably expanded by the acquisition in February of Merrill Lynch Canada's retail business. The takeover has almost doubled Gundy's salesforce to 650 people, bringing it roughly on a par with RBC Dominion Securities, the Royal Bank subsidiary which is the biggest in the country.

Merrill's Cash Management Account, which combines deposit, withdrawal and securities trading facilities, illustrates how bank and securities firm can feed off one another. Account-holders are being issued with CIBC cheque books and CIBC Visa credit cards. Trading orders are routed through Wood Gundy.

Gundy and the bank are now looking for ways to expand these joint endeavours. Gundy's strategic plan for 1990 is the first to be drawn up as a joint effort among the four divisions of the investment bank. CIBC is confident that its strategy of giving its securities arm the closest possible embrace is one that will be emulated by most other banks, both in Canada and elsewhere.

Royal Bank's Taylor retorts that his bank had no need to go through the same exercise at Dominion Securities as CIBC did at Gundy. "We probably bought one of the two or three best-managed investment dealers in North America," he says. "They fired so many people. We didn't."

None the less, Royal and DS are also increasingly working together, with nine joint experiments now under way to refer retail business to one another. While stressing the differences between bank and brokerage firm, Taylor acknowledges: "I think these relationships will get closer."

East Germany looks for non-executives

By David Goodhart

If you speak a bit of German, know something about privatisation, or fancy yourself as a non-executive director, you may be able to help in the restructuring of the East German economy. The Treuhandanstalt, the trust body which currently owns East German industry and is in charge of privatising it, wants expert advisers, German and non-German, with privatisation experience, and is also seeking 10,000 non-executive directors.

Plenty of foreign companies (although, alas, no British) have already beaten a track to the trust's front door at 40-60 Unter Den Linden in East Berlin to seek corporate bargains, and several international banks have also offered their services. That is most welcome to Wolfram Krause, deputy head of the trust, who says: "We want to show that we are open to the world and not just to West Germany."

Immediate support for the trust's 85 East German lawyers, statisticians and economists is, however, coming from the Finance Ministry in Bonn, the KfW reconstruction bank in Frankfurt, and from an assortment of West German consultants. But that should not put off foreigners – even the Bonn Finance Ministry has suggested that privatisation advice from abroad would be welcome when companies are ready for flotation.

Krause has also announced that the trust wants to inject market economy competence into East Germany through recruiting 10,000 non-executive directors, "a number which West Germany alone is unlikely to be able to provide."

Most East German companies are in the process of building supervisory boards and executive boards on the West German model and before privatisation, each company's owner, the trust, will claim more than half the supervisory board seats.

"We need thousands of people, with the right expertise, to represent us on the boards. We will pay, of course; indeed we are thinking of working out payment linked to the companies' returns," says Krause.

Applicants should, however, wait for a few weeks. The trust is on the point of being completely restructured. It has been criticised for housing too many old communists – Krause himself was deputy head of the East German planning commission from 1974-79 – and for dragging its feet on privatisation.

Krause passionately denies the latter accusation and stresses that about 75 per cent of all 8,000 state companies will either be floated or sold directly to other companies in the next few years. But he also stresses that panic sales are not sensible either from the point of view of preserving jobs and manufacturing capacity in East Germany or maximising sale prices.

He points to a model agreement in which the West German brake manufacturer, Knorr-Bremse, took a majority stake in the Berliner Bremsenwerk of East Berlin. Krause claims that pressure exerted by the trust has forced Knorr to create no redundancies and to inject DM11m of its own capital, compared with DM6m from Berliner itself, into a balance sheet now valued at DM70m.

For less fortunate East German companies with immediate liquidity problems and the need to re-equip to take on Western competition, Krause proposes that the trust should borrow heavily – up to DM50bn over the next two years. Security for such borrowing would be East Germany's corporate assets valued at DM300bn (without land) or the country's land assets.

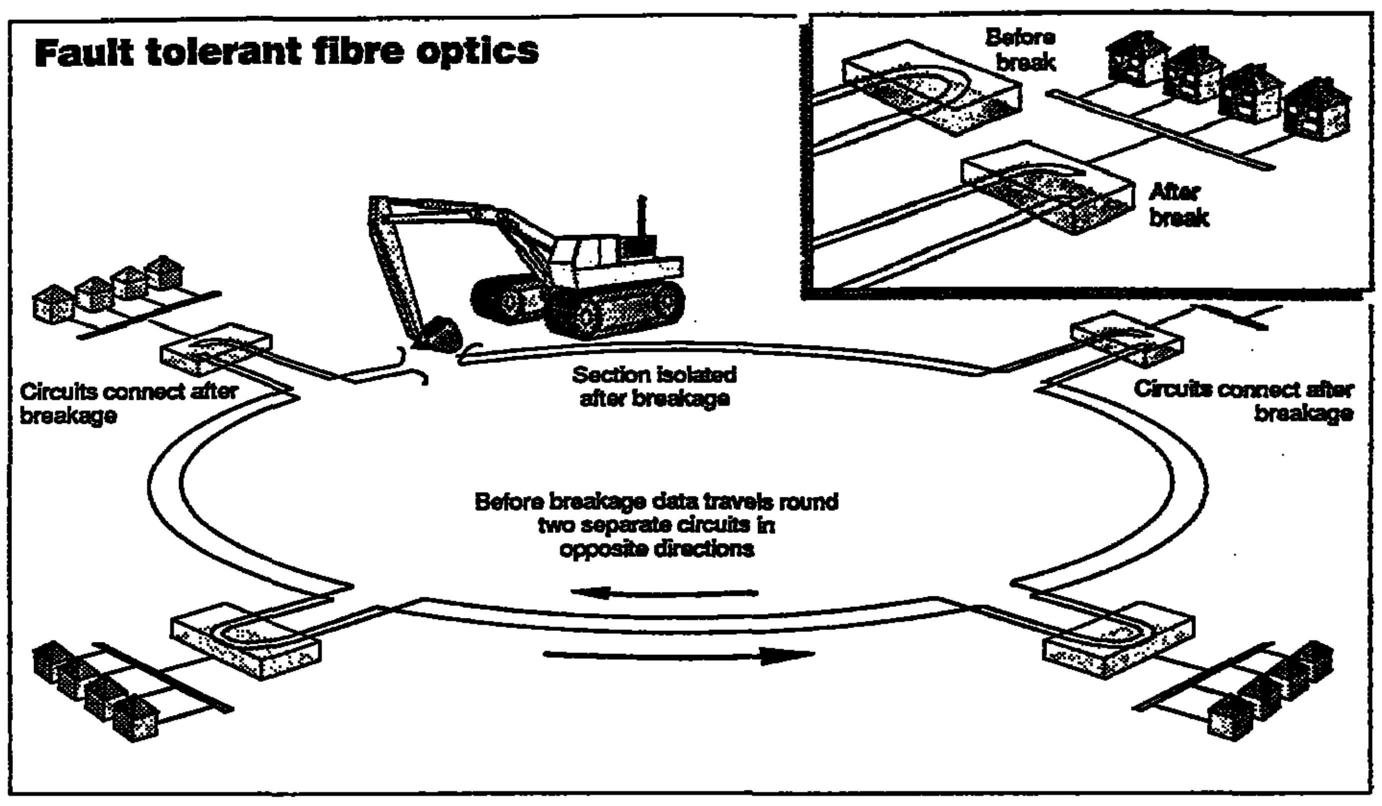
The Bonn Finance Ministry dismisses such ideas and says the trust must stick to the borrowing limit laid down in the Bonn-East Berlin state treaty of DM7bn this year and DM10bn next. However, the Ministry does concede that East German companies face a severe liquidity problem.

Bonn proposes a new bankruptcy law to prolong survival and says the trust should sell companies their own land to improve their credit-worthiness and attractiveness to potential buyers. Finance Ministry officials are also more optimistic than is Krause about quick returns from privatisation. They believe that about DM5bn can be realised within the next 12 months, mainly from the sale of land and properties such as hotels.

TECHNOLOGY

Hugh Carnegy visits an Israeli company which is helping to set industry standards for computer networking

Horses for fibre optic racecourses



"IN HONG KONG they are serious about betting," laughs Moshe Levin, marketing chief of the Israeli-US company Fibronics.

Although not a betting man himself, Levin knows what he is talking about when it comes to gambling in the British colony. For Fibronics is busy installing a big new systems network for the Hong Kong Jockey Club that not only promises to make backing the horses more efficient for punter and bookie alike, but is also an important showcase for the company's pioneering computer networks based on fibre optics.

Fibronics – headquartered in Massachusetts, quoted on New York's over-the-counter market, but with its core research and development and manufacturing activities based just outside Haifa in Israel – is a leading proponent of what is set to become a new standard in computer networking. The standard, in the latter stages of being defined, is designed to exploit fibre optic technology to meet a growing demand for much faster, more reliable interlinking of computers over much larger distances than previously possible.

The new standard is called FDDI, for fibre distributed data interface. At present Fibronics, a company employing around 450 people worldwide, claims no less than 90 per cent of a total market for FDDI which is projected to grow to \$1.3bn over the next four years.

Fibronics' contract with the Hong Kong Jockey Club illustrates nicely what FDDI can do for the user.

The Jockey Club runs Hong Kong's big racing business. It has built up a complex system to handle both on-course betting at its two racecourses – each has its own computer and there is a third back-up computer – and off-course betting at 150 outlets in the colony.

"It is a \$7bn organisation – the biggest digital installation in Asia," says Levin. "Previously they were using hundreds of telephone lines. They had real reliability problems and telephone networks were frequently jammed in peak periods just before races. And it was very expensive."

Fibronics has already installed an FDDI system for the Jockey Club, linking the two racecourses and the back-up facility. It is now working on tying in the off-course betting shops to complete the network, all based on the fibre optic backbone of FDDI to allow all the computers and workstations to communicate more quickly and without threat of jams or breakdown.

"They can keep on betting much closer to race time using the new system," explains Levin, with his marketing man's eye for the customer benefit. The application of FDDI extends far beyond making the odds at the races. Fibronics alone has completed more than 100 installations around the world, ranging from Inria, a French Government research centre near Paris, to Martin Marietta, an aerospace company in Orlando, Florida.

Its proponents describe it as the networking system for the 1990s, extending significantly the performance and capabilities of computer-to-computer communication. To date, the principal standards for so-called local area networks, or LANs, were Ethernet and Token Ring.

What they sought to overcome was the fast-expanding need for connecting large numbers of personal computers and associated machines such as printers to enable them to talk to each other. This arises typically within a single organisation – commercial or otherwise – but might involve quite large physical distances, as in the case of the Hong Kong Jockey Club.

Ethernet and Token Ring were designed to tackle this problem using standard cabling. Partly because of this, they are limited in the distance they can span to 2.5km. FDDI, by contrast, sets a standard of 100km because of the much less restrictive characteristics of fibre optical cabling on data flow.

Similarly, FDDI is much faster than its predecessors, operating at 100 megabytes per second, compared with 10 megabytes per second for Ethernet and four megabytes per second for Token Ring. FDDI also has much greater connective capacity.

A further asset of FDDI is its enhanced reliability, based on its ability to overcome a break in the fibre optic links. Put at its simplest, an FDDI network resembles two concentric rings round which data flows in opposite directions. Workstations can be plugged in at any point and thus be linked with each other. If a break occurs in the dual ring anywhere, the system automatically "wraps" across from one ring to another at either side of the break point, allowing data to continue to flow, albeit with a delay because it has further to travel.

Aside from speed, range and reliability, FDDI also copes with the difficult problem of "interoperability" – in other words how to enable machines made by different manufacturers to communicate with each other. Solutions are also being found to the problem of establishing communication between different networks; to link, for example, Ethernet and Token Ring networks over bridges to an FDDI network.

A committee of the Institute of Electrical and Electronics Engineers has been working for some five years to complete the definition of an FDDI standard.

Fibronics, established more than a decade ago by its Israeli parent, Elron, committed itself to the emerging standard in 1986. Since then it has devoted 20 engineers and spent \$8m on developing FDDI systems, a large investment for a company which had a turnover last year of \$49m. From the beginning it has been closely linked to the FDDI committee through Donovan Mierop, Fibronics R&D director, who is a committee member.

The investment appears to be paying off. Fibronics posted a near threefold increase in profits in 1989, earning \$2.5m. Levin intends that it continue to hold a significant chunk of an FDDI market growing fast on the back of expanding demand for ever-more sophisticated networks.

One of its current contracts is in Italy where it has installed a prototype network for the Autostrada company to operate automated highway tolls. Eventually the network could extend over 5,000km of road, encompassing 300 toll booth stations and perhaps covering the monitoring through video links of speed limits as well as toll operations.

Fibronics, and other companies like it, are convinced that fibre optics are firmly set to be the networking tool of the future, improving computer management of everything from betting to traffic fines.

Saving Athens' marble treasures

Kerin Hope describes efforts to restore the Acropolis monuments

Seen from a distance through the brown pollution haze that covers Athens in still weather, the silhouettes of the fifth-century BC temples on the Acropolis look the same as ever. But close up, the first results of a restoration project which started in the late 1970s and is likely to continue into the 21st century are clearly visible.

Work on the Erechtheion, an architectural mélange of several different periods that includes the famous Caryatid porch supported by six statues of robust young women in classical draperies, is complete. New white marble fills the gaps in the exterior walls. The Caryatids have been replaced with cement copies, one of them modelled on the relatively undamaged figure in the British Museum.

Inside the Parthenon, the crowning glory of the classical city, sits a specially designed crane which can lift blocks of Pentelic marble weighing up to 12 tonnes. Restoration of the Propylaia, the monumental gateway to the hilltop, is to start later this year.

Structurally, the Acropolis monuments survived the ravages of time and earthquakes remarkably well, despite a disastrous fire in the Parthenon in the Early Christian period and an explosion in 1687 when it was being used by the Turks as a munitions store during a Venetian siege.

The problems started with the early restorers, who used steel rods and clamps to join broken marble blocks. Between 1900 and 1935, the Erechtheion was rebuilt on a new steel skeleton surrounded by concrete. The ancient Greeks also used primitive steel clamps and dowels but took the precaution of encasing them in lead to prevent corrosion, something their successors neglected to do. By the early 1970s the steel had rusted and expanded, cracking the surrounding marble. At the same time, the delicate carved marble surfaces of the statuary on the temples were being rapidly eaten away by air pollution.

"Increasing industrialisation around Athens from the 1950s accelerated the rate of deterioration: sulphur dioxide and nitrogen oxide in the atmosphere combined with rain to form sulphuric and nitric acid which dissolved the marble, starting with sculptures in high relief," says Prof Theodore Skoulikides, a corrosion specialist who heads the physical chemistry department at the Athens Polytechnic.

In areas where rain failed to penetrate, but humidity remained high, a soft gypsum layer replaced the marble surfaces. The gypsum accurately preserved the details of a sculpture, although they had disappeared from the stone beneath. But the layers flaked off after reaching a thickness of more than 15mm, leaving a blank surface behind.

The restorers' first task was to take down the remaining sculptures from the Parthenon, cover the section of its frieze that Lord Elgin left behind and remove the Caryatids. They are now displayed in the Acropolis museum in a case filled with nitrogen.

The temples were scanned with gamma rays to locate the modern clamps, which Skoulikides suggested could be replaced with non-corrosive titanium. "Titanium is six times as resistant to corrosion as stainless steel and has the advantage that its thermal expansion coefficient is much closer to that of marble."

About five tonnes of commercial titanium, which is now widely used in place of steel in the Japanese construction industry, has gone into the Acropolis restorations over the past decade, at a cost of Dr10m (\$625,800). Titanium rods, anchor plates, clamps and screws were used to replace the Erechtheion skeleton and reinforce its marble beams. The metal also served to join broken blocks, either to the original fragment or to freshly cut marble from quarries on Mount Penteli north of Athens, close to those worked by the original builders.

"We've started to do the same on the Parthenon. The crane brings down each block for treatment and steel rods are changed for titanium. But the titanium is not allowed to touch the marble – there's a buffer layer of Portland cement," says Costas Zambas, the senior civil engineer on the Acropolis.

The Greek restorers' success with titanium has encouraged Italian conservators to try out the metal in projects in Rome and Paestum, he says.

Skoulikides went on to study the sulphation process which turns marble into gypsum, with a view to establishing whether it could be stabilised or even reversed. Using carbon dioxide under pressure at high temperatures, it proved possible to consolidate the gypsum by turning it into calcium carbonate, the main mineral in marble. Even then the stone was much softer than the original marble.

"Now we've developed the process to the point where we can spray gypsum in situ with a solution of potassium carbonate. By varying the temperature and concentration it's possible to come up with calcium carbonate that's only 20 per cent softer than marble," says Skoulikides.

Since sulphation is a process similar to metal corrosion, Skoulikides started experimenting with the ingredients of anti-corrosive paints for ships and bridges and with other substances in order to develop a protective coating for ancient statues.

Tests have so far involved silicone, polyester and acrylic resins. The most promising coating appears to be acrylic mixed with pigments of aluminium oxide, iron oxide and titanium oxide which prevents it from cracking and also matches the colour of the weathered Acropolis monuments.

"All this work proceeds with caution: such a coating must be tried out on some of the not-so-valuable statues in the squares of Athens for a number of years before we can think of using it on ancient marble," says Skoulikides.

TELEVISION

Finally squared up with the right technology

Christopher Dunkley banishes flare and fuzziness from BSB

BSB: The Saga Continues. Regular readers may remember that after the men from Granada (major partners in British Satellite Broadcasting, BSB) had fitted the Dunkley household with a "squarial," a square-ish aerial which picks up BSB's satellite signals – facing south-west and consequently on the opposite side of the roof from the Astra dish which points south-east – it was found that the best pictures were still coming from the old terrestrial channels (BBC1 and 2, ITV and Channel 4) the next best from Rupert Murdoch's Sky channels via the Astra satellite even though it uses the old PAL technology, and the least satisfactory from BSB. All that was reported in the *Financial Times* (part of the Pearson group, another of BSB's chief investors) four weeks ago. Now read on.

The result of that column was, it seems, consternation at Granada, BSB, and the engineering department of the Independent Broadcasting Authority where "D-MAC" was developed. D-MAC is the technology used by BSB to transmit signals from its high-power satellite direct to the homes of those with the necessary receiving equipment. It is supposed to be the bee's knees, and the vehicle bringing in the next generation of in-home entertainment: high definition pictures and shoebox shaped wide screens. As in the early days of LP records and video recorders, incompatible techniques are being developed (the Americans and the Japanese have different systems, and there is even disagreement among the Europeans) so a lot hangs upon D-MAC's success.

No doubt it was this, and – thanks to the lack of BSB equipment available to the public – the desperate scarcity of feedback to the broadcasters, rather than the tremendous importance of the FT's television column, which sent anxious letters flying at all levels up to managing director. The consensus was that my "old fashioned" television without a Peritel or SCART socket (an otherwise excellent Panasonic bought 4-plus years ago for £395) was just not capable of dealing with all the traffic now being put through it, from the terrestrial networks, the two satellite systems, and two video recorders, without the signals "leaking" into one another. Too often we were experiencing "beat" – rolling diagonal lines – when, for instance, we tried to watch Sky News and record the BSB Galaxy channel.

It was proposed that for a month we should borrow a state-of-the-art set from Granada, equipped with SCART socket and stereo sound, to see whether that solved our problems (and, hinted the unstated sub-text, left us more suitably impressed with BSB's technology). It turned out to be one of those matte black jobs which appear to be only about two inches deep, until you peek round the back and find the familiar old protuberances, and it had an "FST," a flatter squarer tube, giving you a picture more like the old "golden section" cinema screen than the round-cornered post card of the usual TV set.

The Granada man spent hours hacking away the jungle of cables from the rear of our old outfit, presented us with a boxful of redundant wires, plugs, splitters, and two-way adaptors, and re-connected the various inputs using super-duper SCART where appropriate. Now, instead of taking D-MAC pictures and reducing them to PAL standard so that, at best, they look like any other television picture, we actually get the benefit of the new technology. And the result? Washington-like I cannot tell a lie: the result is a revelation.

The improvement in pictures is dramatic. Until you see a BSB programme in D-MAC you do not realise quite how much ghosting, flare and sheer fuzziness you have become used to, even on a set previously regarded as good. Much of the time the pictures from the five BSB channels now remind us more of photographic colour prints than of a conventional 625-line TV images. Even more striking, however, is the effect of NICAM stereo. NICAM is the industry-wide system developed by the BBC and IBA and now used also by BSB. Simply watching television in the conventional manner on the new outfit means a remarkable improvement in sound and vision.

With the weekend, however, and the remarkable arts schedule on BSB's Now channel, comes a new sort of television experience altogether. Sit down on Saturday evening for *Manon* (directed by Colin Nears originally for the BBC) plug your headphones into the set, and you suddenly discover that – contrary to almost all the evidence of a lifetime – ballet can make good sense on television after all. True, Kenneth MacMillan's choreography has always seemed better suited than most to the small screen; his *Mayerling* was one of the most effective ballets on television in the last 25 years.

But it is the sound that really does the trick. With sound virtually as good as that from a compact disc, it would make sense simply to listen to the music by itself. Having really clear pictures as well takes televised ballet into a new realm of experience. The pictures are so pin-sharp that you fall to wondering why some male ballet dancers pad out their genitals in quite such a ludicrous manner . . . but the pleasure of the total effect is such that you quickly forget these niggles.

Then, on the following night, when the Now channel follows up with Placido Domingo and Kiri te Kanawa in Covent Garden's 1983 production of *Manon Lescaut* you discover that opera benefits even more from these technological advances. What would once have appeared to be merely a navy blue screen with something vaguely like Domingo's voice emerging from it can now be seen quite clearly as a dim but subtly lit scene with an easily identifiable Domingo and a quite unmistakable voice. This, plus *The Fontenay Trio In Concert* late on Saturday, playing Mozart, Henze and Brahms, and then Brahms' songs in *Front Of House* late on Sunday, prove that what we are experiencing is another step up comparable to that step we all took when we first listened to music on stereo headphones.

Next Saturday afternoon the Now channel offers another screening of the *Manon Lescaut*, then a recital of 20th century piano music (Schoenberg, Stravinsky, Lutoslawski) by the Paratore twins, a Danish recording of *Giselle* danced by the Kirov, and Haitink conducting the Concertgebouw in Mahler's 4th. On Sunday we get the Labeque sisters in concert with the Munich Philharmonic, the second in a four-part drama about Van Gogh, another showing of the MacMillan *Manon*, *La Clemenza di Tito* from Stockholm's Drottningholm Court Theatre, and finally the Raphael Quartet playing Beethoven's *Grosse Fugue*.

Virtually none of these programmes is new, but for most of us that will not matter.

Kiri te Kanawa and Placido Domingo in Covent Garden's 1983 production of "Manon Lescaut"

Not only does that schedule knock spots off anything that Sky – and, come to that, any other British television channel including BBC2 – offers to lovers of the arts, it could even give Radio 3 a run for its money. Goodness knows how long BSB can sustain it, but given the hundreds of millions that they have spent, and remembering that they have bought not only lots of BBC and ITV programmes, but large parts of the RM Arts catalogue belonging to Reiner Moritz, Europe's leading independent producer of arts programmes, and remembering too that we are talking only about a weekend schedule (at other times the Now channel provides a queer mixture of reporters talking to one another at the *Daily Mail* and *Observer*, business programmes, American news, and other odds and ends) they could keep it up for ages.

And is it worth it? Buying and installing the squarial and decoder, assuming you can find them, will cost between £375 and £425, or you can rent for £13 a month. After a free trial period, the Movie channel will cost you another £9 a month. And if our experience is anything to go by, you may need a new television with SCART and stereo in order to gain the true benefit of calling the BARB signals down onto your roof. Our model costs £454 to buy (though these days you can pay up to £1500 for some stereo sets) or £18 a month to rent.

To some it will be worth that just to escape the present ghastly desert of Saturday night television.

Thérèse Raquin

MINERVA STUDIO, CHICHESTER

It is devoutly to be hoped that the good burghers of Chichester do not get their theatres confused. Those keyed up for *The Merry Wives of Windsor* with Penelope Keith should make for the Festival Theatre. If they stray unwittingly into the Minerva Studio they are in for some boisterously violent sexual passion, the sound of ripping bodice and torn-off buttons bespattering the stage, and coitus vigorously simulated on a dining-table, with Miss Keith nowhere in sight.

At first glance the adulterous lovers drifting almost casually into murder in Zola's novel, and later play, anticipate Hollywood *film noir*: the sweaty guilt, the furtive lust, the stifling social milieu, all pre-echo the bleak intensity of *Double Indemnity* or *The Postman Always Rings Twice*. But Zola is paradoxically both more ironic and more old-fashioned. The later couples are doomed from the start, scrabbling against the impassive rock-face of destiny. But Thérèse and Laurent fall apart for reasons of good, old-fashioned conscience, even though everything is going their way. A year after killing Thérèse's husband, they are doted on by the victim's unwitting mother; everybody persuades them to marry; this is what they planned. But the relationship sours and festers; and the long scene in Act 2 where they tear one another apart, condemned to be caged together in mutual loathing, is both mocking and morally orthodox. There have been no external pressures; merely the corrosive knowledge of their own guilt.

Vicki Mortimer's design gives us the living-cum-bedroom above the pokey Paris shop where these provincials have ended up; an expressionistic slant to the ceiling emphasises the skylight that will blow open to turn melodrama into *grand guignol* when Thérèse imagines her dead husband's approach. Nicholas Wright's translation is to the point, fluent and speakable, apart from odd Americanisms in tense and vocabulary. David Leveaux' direction captures the couple's physicality, first as they crash to the ground in lust, then in the violence of their rage, ending with the weary, listless flailing which Thérèse directs at the man like a child exhausted by tantrums. Neil Pearson and Joanne Pearce are at their best as the couple who have, like famous killers before them, murdered sleep, an aching tiredness as evident as their intensity.

The play steers dangerously close to melodrama, especially in the stroke that paralyses old Mme Raquin when she stumbles on the truth of her son's murder. Her lost speech and movement, both of which return to plunge the lovers into a hell of their own making, are entrusted to the intelligent Georgine Anderson who makes a baleful presence, sad but inexorable in her wheelchair as the gladiatorial couple fight to the death.

Good performances all round: especially from Kevin Doyle's gauche and wimpish husband, Robin McAffrey's innocent young girl, convincing in her freshness, and Jonathan Adams, all grizzled self-importance and sublime pomposity as an office pundit (Zola is scathing about the French bourgeoisie). The author's (to some) old-fashioned belief that crime will out if only through a self-destructive conscience is countered by his much more modern perception that perfectly ordinary people can commit murder. The strength of this production, and what saves it from excess, is the depiction of that normality, fatally unbalanced by a passion that is simply not enough to elevate its humdrum protagonists into tragic figures.

Martin Hoyle

Schnittke's 2nd Cello Concerto

EVIAN

Evian, a dozy little resort best reached by paddle steamer across Lake Geneva from Lausanne, seems an unlikely place to hear a Schnittke world première. But the Rencontres Musicales d'Evian happens to be one of a handful of festivals that can count on an annual visit from Mstislav Rostropovich, after whom the concert hall of the Evian Casino has now been re-named.

This year's closing event, attended by Schnittke himself, was devoted to *In Memoriam* (the orchestral version of the Piano Quintet). And the first performance of the Second Cello Concerto, which was written for Rostropovich.

Like the first concerto, the new work lasts about 40 minutes. It has three identifiable movements (with a single break after the first) and keeps the soloist feverishly active throughout. It calls for huge stamina, as well as making the most taxing technical and expressive demands. It is a virtuoso work in the best sense, with a natural power and unpredictability that grip the imagination.

Rostropovich, accompanied by the Orchestra of the Curtis Institute of Philadelphia under Theodor Guschlbauer, gave a rivetting, brilliantly executed performance.

In contrast to *In Memoriam* and other large-scale works by Schnittke that have become known in the West in recent years, the new concerto is unusual in that there is no obvious dabbling with or debt to other styles. Although the louder orchestral outbursts bear a brazen energy that is entirely characteristic, Schnittke has achieved a direct, uncluttered coherence in the solo part, which sustains the work with a combination of hyperactivity and quiet spirituality. It is as if a sense of mortality (together with an awareness of Rostropovich's musical personality) has suddenly concentrated his creative inspiration.

The concerto begins with an unaccompanied rhapsodic recitative for the soloist, and then breaks into a hectic, restless allegro. The solo part becomes more and more "driven," and the orchestral accompaniment – initially confined to making isolated responses – gradually takes up the same character, both charging together to the end of the movement. The central adagio is broken up by a faster interlude, and on a first hearing seems less immediately involving. The long finale is a set of variations based on a quietly affirmative motto theme which, when first enunciated by the brass, sounds late Romantic in character.

The soloist provides a free counterpoint to the theme, which is echoed around the orchestra, brought to a crescendo, and then twisted and transformed until it becomes unrecognisable. The soloist winds the music down to a dying thread.

In Memoriam, a 25 minute work first performed in 1979, makes more obvious use of the clavichord and vibraphone, and adds piano, marimba and organ. With its sly waltz, its gypsy tune and searing string lines à la Shostakovich, it can hide neither its depth nor its disjointedness. A fascinating performance, nevertheless, from these excellent young players under Rostropovich, who ended the evening on the lawns outside the Casino, conducting an exquisite Fanfare written for this year's festival by Henri Dutilleux.

Andrew Clark

Don Giovanni

THEATER AN DER WIEN, VIENNA

The Theater an der Wien is where *Fidelio* received its première in 1805, and where Krips and Böhm built up a famous ensemble after the war. Today it is used mainly for musicals. But it proved an ideal home for the Vienna Festival's *Don Giovanni*, with a slimmed-down Vienna Philharmonic in the pit, and Claudio Abbado presiding over his first major Mozart production.

When Abbado was a regular concert conductor in London, he always seemed ill at ease in Mozart. This *Don Giovanni* conveyed an altogether different impression. There was nothing stodgy about this performance: it had the old-fashioned virtues of being solid and unostentatious, without excess detail or emphasis, the orchestral parts executed with unfailing good taste; but there was a masterful sense of structure. Only occasionally did Abbado's judgment fail him: "Andiam, andiam" was one of several baffling instances where his insistence on strictness of tempo stripped the music of its charm.

The staging was by Luc Bondy, who showed every sign of having listened to and understood the music. Instead of trying to impose a "concept," he focused on simple human truths and comic resonance, preserving the work's ambiguities. Each character was vividly re-created. A series of inspired *coups de théâtre* highlighted the dramatic interruptions which round off so many of the opera's scenes. The comedy – centring on Elvira's manic neurosis and Giovanni's haystack seductions – was contrasted with a quietness and sincerity of feeling in the Anna-Ottavio exchanges.

Susanne Raschig's unfussy costumes evoked a distant past. The decor by Erich Wander was a mixture of pictorial illusion and abstract invention: his partitioning of the stage allowed frequent changes of setting without dominating the action. Giovanni's party and the more intimate scenes in Act Two were set inside a large, central cube. The only scene to strike a false note was when Giovanni dressed to dine like a 19th Century baron, overlooking the Alps from a Teutonic gallery. The descent into hell – engulfed by dry ice in the Commendatore's vast shadow – was a brilliant piece of stagecraft.

Ruggero Raimondi proved that he is still the pre-eminent Giovanni – as dangerous as he is irresistible, a high-quality rogue who falls for his own patter. Although not yet the ageing roué, Raimondi can teach his younger rivals much about the power of understatement and conversational use of Italian.

Karita Mattila's larger-than-life Elvira was a fascinating construction of nervous female insecurity, but her phrasing was four-square, perhaps under Abbado's influence. Lucio Gallo's youthful Leporello, sung with a light, flexible bass, made a lively impression. As Zerlina, Marie McLaughlin was in excellent vocal shape, playing the seductress as much as the seduced. A noble Ottavio from Hans Peter Blochwitz was partnered by an Anna of controlled passion from Cheryl Studer. There were good supporting performances from Anatoly Kocherga as the Commendatore and Carlos Chausson as Masetto.

Andrew Clark

Punishment without Revenge?

GATE THEATRE

It is a strange and moving experience, watching a great play that's over 350 years old in its first English–language performance, but it is an experience that should become more familiar. *Punishment, without Revenge?* is by the Spanish master-dramatist Lope de Vega, whose *Fuente Ovejuna* was successfully shown by Cheek by Jowl at the Cottesloe last year; and this is a no less fine play. The new Lope de Vega Project will now present two other plays by this master in the next twelve months.

The libertine Duke of Ferrara must, for political reasons, marry Cassandra, daughter of a neighbouring ruler. He wants, however, his loyal son, the noble bastard Count Federico, to succeed to the throne. This Duke, in the first Acts, pre-echoes libertine Dukes of French Romantic drama – as in de Musset's *Lorenzaccio* and Hugo's *Le Roi S'amuse*. But when Federico is sent to collect Cassandra, they fall reluctantly in love – a situation that looks back to the Tristan story and forward to Schiller's *Don Carlos* (in particular) and Maeterlinck's *Pelléas* to *Mélisant* while the cuckolded Duke comes to resemble *Tristan*'s King Mark or Theseus in *Hippolytus* and *Phèdre*.

De Vega invokes none of these parallels, but he makes his characters' dilemma as intense, as poetic and as forceful. The play is multi-layered, with Bard-like references to the nature of existence ("This life is but a dream") and of drama itself ("The stage is a mirror").

The language in which Cassandra mentions her husband's unfeeling storm of her virginity, describing him as a rider losing his bridle, is brilliantly disturbing. For this production, the director Laurence Boswell has adapted a translation by Sara Mair–Thomas – the memorable Solveig in the National's current *Peer Gynt*, here playing Cassandra.

As Cassandra, Thomas beautifully contrasts the restraint of royal dignity with the violence of private feeling. I love her voice – creamy, harsh, soft, desperate, by turns – and the eloquence of her stillness. Paul Mooney is slightly too stiff-upper-lip in some of Federico's wilder Romantic flights, but shows none the less the right noble intensity and edge of hysteria. Likewise David Sumner, though he could strengthen the reprobate quality of the Duke's early scenes, achieves chilling force as the drama nears its conclusion.

The staging, which deliberately adds Spanish flavour to its Italian plot, draws power from the Gate's tiny space. This is the third of this theatre's Consummate Classics series of unknown foreign masterpieces. I write with intense gratitude and admiration.

Alastair Macaulay

ARTS GUIDE

May 25-31

THEATRE

London

Anything Goes (Prince Edward). Cole Porter's silly ocean-going 1930s musical has four or five marvellous songs and Elaine Paige failing to emulate Ethel Merman. Jerry Zak's desperately bright production comes from the Lincoln Center in New York and is undemanding fare (734 8951, cc 836 2428).

Jeffrey Bernard is Unwell (Apollo). Tom Conti is the alcoholic journalist who embodies a Falstaffian, nay-saying life force while committing public suicide by vodka. Keith Waterhouse has stitched a fine play, the season's highlight, from Bernard's own writing. Ned Sherrin directs (437 2663).

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybaritic insouciance. A probable, but unspectacular, hit (839 5972).

Shadowlands (Queen's). Four-tissue weepie about the love affair between crusty Oxford writer C.S. Lewis and the cancer-riddled American poet Joy Davidman, which pushes both Nigel Hawthorne and Jane Lapotaire into the awards stakes. William Nicholson's play is irresistibly emotional. Elijah Moshinsky's direction is superb (734 1166/439 3849).

Stuttgart

Makal City Theatre, Mariendstr. 12. Peter Makal, director of the Stuttgart-based International Festival of Mime, now in its eighth year, has put together a truly world-class programme. Founder of the Makal Theatre, he will present a dozen specialist groups and artists from eight countries, includingthe Soviet Union, East Germany and Hungary as well as Chile, Australia, France and the US. Ends June 4 (0711/626208).

New York

Cat on a Hot Tin Roof (Eugene O'Neill). Kathleen Turner, whose statuesque good looks embody Tennessee Williams' vibrant character Maggie, is surrounded by an excellent supporting cast in Howard Davies' production.

Grapes of Wrath (Cort). The Steppenwolf company's interpretation of the Steinbeck epic novel has taken a long time to reach New York from Chicago; the wait was worth it, with the 1930s brought alive in its squalour as well as its test of human strength. Gary Sinise as Tom Joad stands out in Frank Galati's adaptation.

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).

Gypsy (St James). This 30th anniversary production does more than revive a rich, vivid musical; it also introduces a new belter in the Merman tradition, Tyne Daly, as the bossy, tireless and tuneful Rose, who shamelessly leads her daughter into burlesque while rejecting a personal life for herself (246 0102).

Grand Hotel (Martin Beck). Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film to at least shake the bones of this inert depiction of lives crisscrossing in an elegant, but somewhat random setting (246 0102).

Sweeney Todd (Circle in the Square). An intimate production of the Sondheim-Wheeler musical in contrast with the elaborate original a decade ago emphasises the descent into madness of Bob Gunton as the demon barber of Fleet Street (239 6200).

Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including *On the Town, West Side Story* and *Gypsy*. The lustre of the credits is dimmed by the brevity of each piece, with a contemporary crew of Broadway aspirants who lack the multi-talents that inspired the heyday of the musical.

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Chicago

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

Fraternity (Pegasus Players). Jeff Stetson's political drama focuses on the civil rights movement of the 1960s and 1970s to explore issues of principle and compromise. Ends June 3 (271 2638).

Tokyo

Peer Gynt (in Japanese). Japan's most famous director, Yukio Ninagawa, best known for his samurai Macbeth and noh Tempest, tackles Ibsen's "unstageable" masterpiece, with a cast headed by a popular young rock singer. Aoyama Theatre (201 7777).

Maly Theatre, Moscow. Chekhov's *The Wood Demon* is an early work, that was later reworked as Uncle Vanya. Performed in Russian. Seinenkan Theatre. (Thur) (235 1661).

Noh. *Kakitsubata (The Irises)*. A seasonal piece that concludes with a dance for the spirit of the irises. Hosho Noh Theatre. (Thur) (811 4843).

SALEROOM

Christie's set a new auction record for British ceramics yesterday when it sold a London Delft salt, modelled as a youth, for £176,000 to the London dealer Jonathon Horne. It carried the date 1676 and, although the piece was repaired and chipped, it beat the previous record of £112,200 set in 1986. The price was way ahead of the £40,000 top estimate, and compares with the £620 paid for it in 1962.

Indeed Christie's beat the old record four times in the first 17 lots that it offered from the celebrated Rous Lench collection. A London Delft candlestick of 1653 (top estimate £20,000) made £154,000, also to Horne, who then paid the same sum for a royal portrait wine bottle of around 1660, depicting Charles II. A royal double portrait jug, which includes Queen Catherine, sold for £121,000. The unrivalled collection of British ceramics was assembled by the late Tom Burn for his home, Rous Lench. The morning session alone totalled a record £1.88m, with just one per cent unsold.

Antony Thorncroft

Record sum for literary awards

The Prince of Wales presented literary prizes worth a record total of £89,250 at the Society of Authors' annual reception last night.

The Somerset Maugham Awards of £5,000 each were won by published authors all under 35 years old: Mark Hudson for *Our Grandmothers' Drums*; Sam North for *The Automatic Man* and Nicholas Shakespeare for *The Vision of Elena Silves*.

A new award, the McKitterick Prize for a first novel by an author over 40, went to Simon Mawer for *Chimera*.

Robert McLiam Wilson, author of *Ripley Bogle*, won the £16,000 Betty Trask prize for a first novel of a romantic or traditional nature by a writer under 35. Awards also went to Elizabeth Chadwick for *The Wild Hunt*, Rosemary Cohen for *No Strange Land* and Nicholas Shakespeare (again) for *The Vision of Elena Silves*.

Kingsley Amis, Elaine Feinstein and Michael O'Neill won the Cholmondeley Awards for Poets. The Eric Gregory Awards, aimed at encouraging poets under 30, went to Nicholas Drake, Maggie Hannan, William Park, Jonathan Davidson, Lavinia Greenlaw, Don Paterson and John Wells.

FINANCIAL TIMES
NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Wednesday May 30 1990

The Treasury cries wolf

"THERE ARE wolves about," cries the boy on Great George Street, "and they are after my tax cuts." There is nothing new in the British Treasury crying about the wolves of Whitehall. But this time the Treasury may be right.

"Look at the national health service," moans the boy. "It will devour an extra £2bn this year and want still more next year. The poll tax is worse; it wants another £3bn. The national curriculum is ravenous, while transport, quiet for years, wants undergrounds and roads everywhere. Even defence has not lost all its appetite. Meanwhile, social security says it is suffering from an inflationary tapeworm. In fact, all of them say they are suffering from inflation. Well, is that my fault?"

Whether or not the upsurge in inflation is the Treasury's fault is debatable. But the consequences are not. Last November, the increase in the deflator for gross domestic product was forecast at 5 per cent this year and 3½ per cent next. By the time of the March Red Book the deflator was set at 6¼ per cent for 1990-91 and 4¾ per cent for 1991-92, with the latter likely to be a *substantial under-estimate*.

Optimistic forecast

Current planning totals are expected to give "real" growth of 3½ per cent this year. For next year, *the Treasury's* optimistic inflation forecast gives real growth of 2½ per cent; more plausible forecasts would give zero real growth, an inconceivable degree of stringency so close to an election. Nor, when one *looks at it* closely, is the "peace dividend" likely to save the day. The Treasury will be very lucky if it prevents the planning total of the Ministry of Defence from rising in nominal terms.

Fortunately for Mr Major, inflation gives as it takes. Despite low economic growth, inflation may well raise money GDP in 1991-92 by more than £10bn above the level expected at the time of the budget. If so general government expenditure (excluding privatisation receipts) could rise by £4bn above the envisaged level and still remain below the target of 38¾ per cent of GDP.

The planning total, without privatisation receipts, could then rise by 4 per cent in real terms, provided local-authority self-financed expenditure and central government debt interest (*the main items outside the* planning total) remain no higher than forecast in the Red Book. If these two items were to rise substantially, as is far more likely, the share of general government expenditure would come close to 40 per cent of GDP or, alternatively, the 38¾ per cent target would prevent the planning total from rising at all in real terms.

Sensible rise

It will be quite difficult to keep spending below the target share of GDP. More importantly, this should not be viewed as an overriding objective. *The priority that should* be given to health, education, transport and social welfare suggests that a modest rise in the share of public spending in GDP might be quite sensible.

A more important concern than the share of public spending in GDP is the fiscal position. Shorn of privatisation receipts, the Treasury forecasts the public sector debt repayment to be only ¾ per cent of GDP this year. A case can be made for tolerating a further deterioration during a cyclical downturn. But the British economy could do with higher public savings.

In short, it may be impossi*ble for the Treasury to satisfy* the most pressing demands for higher public spending without letting its share in gross domestic product rise once more. Moreover, the Treasury may be able to have any two *out of tax cuts, politically* attractive increases in spending, and a budget surplus, but it may be unable to enjoy all three. If this were, indeed, to be the case, the best option would be to forgo the tax cuts.

Whatever the decision, it should be made explicitly, by considering taxation and public spending at the same time. But this is the last thing the Treasury desires. By crying wolf it hopes, instead, to frighten the rest of the Government into giving Mr Major his big day next March. If it fails, either those tax cuts or the Treasury's hard-won reputation for fiscal prudence could be gobbled up.

Democracy in Czechoslovakia

THERE IS another side to the gay and pacific Czechoslovak revolution – now six months old – to that still visible in gracious, springtime Prague.

It is of a people enervated and suspicious after half a century of totalitarian rule; of an economy technically deficient and underproductive; of a federation on the point of disintegration; of a plethora of parties with no roots; and of a communist state apparatus, secret police and army, some of which retains a will to be mischievous.

It is of an environment as polluted as any in eastern Europe; of an education system woefully funded and politically corrupted; of a social system that can barely relieve the worst effects of ill health and age and of a culture thinned out and starved by the withdrawal of citizens to uncaring privacy.

This is, indeed, the picture often presented by the very people who made the revolution of November 1989 – in particular by their leader, President Vaclav Havel. None created such an inventive revolt against totalitarianism: none have since emphasised so eloquently the harshness of the road on which they have set themselves.

They cannot be accused of failing to warn and to teach; and the Czechoslovak election campaign (the elections take place on June 8) has so far been freer of demagoguery, of false promises and of vacuous "image creation" than any western equivalent. Of the many examples East European dissidence has to teach the West, the decency and intelligence of its behaviour in power is not the least.

Biggest test

But the largest test, still to be faced, is to effect a transition, not only from a communist to a liberal system but from a Platonic style of rule – depending, as it does, on the keystone of philosopher-president Havel – into a system of civil and state institutions which can cope with the normal human and social weaknesses. The danger is that the Czechoslovak revolution has produced an interim political settlement which could harden into an established order, one that would impede the development of a fallible democracy by insisting too long on a transcendent purpose.

The onus is on the new leaders, first, to address the harmful effects of the Civic Forum's dominance of Czech politics. (The Christian Democrats have a lead in Slovakia). The Forum, with a clutch of charismatic individuals at its head and the ability to project itself as the unifier and healer of the nation, tends to crowd out the new parties: its most popular poster reads "the parties are for party members, Civic Forum is for everyone". It should have transformed itself into a party before now; it must do so as soon as possible after June 8. In Czechoslovakia the last party to claim it was for everyone was the Communist Party.

Declaration of intent

When – in the second place – it does so, it must clarify where it stands politically. It cannot continue to say, as its leaders presently do, that it will occupy the centre ground: left, right and centre have yet to be defined, and a declaration by Civic Forum of its political intentions would greatly assist.

Finally, the Presidency must be both clarified and confined. The pre-war practice of the Czechoslovak Republic was to recognise President Masaryk's intellectual and moral prestige, but to keep the office relatively weak: it is probably a good precedent to follow, one into which Mr Havel could fit like a hand into a glove.

He has already, and can in the future, lend his country his enormous prestige, and in doing so may keep it united and prominent – a huge advantage at a time of competition between the post-communist states for aid and investment.

But it is on the squabbling and manoeuvring of party politics which Czechoslovak democracy will depend: on presently unknown, lesser figures that stability and freedom will be built. Vaclav Havel and his fellows wrote themselves and their country into history in a manner at once glorious and funny, courageous and peaceful. Now – it may be harder – they must write themselves down.

Quentin Peel says Gorbachev goes to the US in a state of great weakness

All chaos on the home front

President Mikhail Gorbachev must have taken off from Moscow yesterday for Ottawa and the Washington summit feeling sick at heart.

In spite of every effort he could make on the eve of his departure – culminating *in a pep talk for 400* Russian deputies in the Rossiya hotel on Monday night – he had failed to prevent his arch-rival, Mr Boris Yeltsin, from clinching his election as president of the Russian federation. The result was announced within hours of his departure.

It means that the Soviet leader will be flying to a superpower summit with his home base in unprecedented disarray. For the election of Mr Yeltsin cannot be seen as anything other than *an humiliating defeat*.

Sacked by Mr Gorbachev from his position in the ruling Politburo, and as party chief of Moscow, just over two years ago, he has bounced back through a combination of determination and exploitation of bitterness against the Communist Party establishment. His comeback owes everything to the process of democratisation launched by the Soviet leader. Yet Mr Yeltsin has proved that as the most popular politician in the nation – almost certainly more popular than Mr Gorbachev – he could not be kept out of office indefinitely.

The one thing going for Mr Gorbachev is that he should be coming home with a nuclear arms pact initialled in his pocket. He can argue *that on foreign policy at least*, the Soviet Union is still reaping a clear benefit from perestroika. But at home, it is hard to see even a glimmer of light on his horizon.

Economically, the country is in chaos. Mr Nikolai Ryzhkov, the Prime Minister, *has finally announced a* price reform package which has been condemned from all sides as incoherent. Quite apart from its failure to bring the official aim of a market economy any closer, it has precipitated a wave of panic buying. Foreign trade ties are also in confusion, with delays on the most essential trade payments causing havoc, and a potential standstill in imported supplies.

Politically, the victory of Mr Yeltsin represents the first occasion on which Mr Gorbachev has been unable to ensure the election of his own man to a key position. One of his great successes until now has been to have all the top officials owing their place to him. Mr Yeltsin owes him nothing.

It is still unclear just how powerful the job of Russian President will be. But the logic of the Soviet reforms is that it will be far more important than hitherto, with substantial devolution of power from the centre. With a man of Mr Yeltsin's stature in the job, it looks almost inevitably like the base for an open challenge to the sweeping powers of the all-union Soviet President.

At the same time, Mr Gorbachev is seeking to hold together a terminally-divided ruling party. The 28th Party Congress, scheduled for July 2, looks certain to become the setting for a formal split, with many of Mr Gorbachev's natural social democratic allies walking out to leave a conservative rump. Yet the Soviet leader is devoting all his personal prestige to keeping the party together.

Meanwhile there is no end in sight to the secession problems in the Baltic republics, where the Soviet oil blockade of Lithuania is proving as much a demonstration of the centre's weakness as its strength. All three Baltic republics are dead set on outright independence, but Mr Gorbachev has yet to find any negotiating formula capable of bringing both sides to the table. With a cruel sense of timing, the ethnic conflicts in the *Trans-Caucasus have blown up again*, with at least 23 dead in Armenia from clashes now not with neighbouring Azerbaijanis, but troops of the Soviet Interior Ministry itself.

And then again, Mr Gorbachev is facing new murmurings from his military establishment, which shares with Russian nationalists, and the conservative wing of the Communist Party, concern about the speed of change in Eastern Europe, and above all the German unification process.

Surely even the *consummate* political magician that the Soviet leader is cannot emerge unscathed from such a combination. Can he confound all the sceptics, and turn the inevitability of defeat into another strong impetus to perestroika? Or is the victory of Mr *Boris Yeltsin the beginning of the end* for the Soviet leader?

> **Can Gorbachev confound all the sceptics, and turn the inevitability of defeat into another impetus to perestroika?**

The first question many ordinary Soviet citizens would ask is why the victory of Mr Yeltsin should be seen as a defeat at all. They see the former party boss from Sverdlovsk, commit*ted to radical reform, as the natural* ally of the Soviet leader. He would help Mr Gorbachev overcome the resistance of the conservatives. Indeed, they believe he could help unite Communists and non-Communists in a genuine coalition.

The obvious answer for Mr Gorbachev is to commit himself to a radical acceleration in the whole reform programme. Three factors militate against it. The first is the antagonism that has grown between the two, since Mr Yeltsin was sacked from the Politburo, and with his conviction that Mr Gorbachev should have protected him. The Soviet leader seems to be dragged into unnecessarily personal attacks on his rival, possibly incensed by his obvious popularity.

Although Mr Yeltsin's lifestyle and behaviour, and apparent weakness for alcohol, invite mockery, it seems clear he has also been subject to dirty tricks campaigns by the KGB, which could scarcely have been done without being condoned from the Kremlin.

Second, Mr Gorbachev and his advisers regard Mr Yeltsin as a politician without a programme, who has achieved his popularity primarily by exploiting resentment against the privileges of the elite, and by being seen to be a scapegoat himself. Indeed, the more he has been denigrated, the more popular he has become, even when accused of falling drunk into the Moscow river.

Finally, the Party itself cannot forgive him for failing to go gracefully in the old tradition, and for undermining its prestige. The question is whether Mr Gorbachev can afford to forgive him, and still keep hold of the Party.

On the issues themselves, there are wide areas of common ground. Certainly on economic reform, both are committed to a relatively rapid transition to a market system. Mr Yeltsin would probably not go faster than Mr Gorbachev: they both know nothing other than the old system, and still don't quite understand or trust market mechanisms.

The trouble is that Mr Gorbachev appears to have got himself into a terrible bind on economic reform, unable to separate himself from the old bureaucracy, and compounding the difficulties of change with every month he delays.

Last week's economic reform programme presented by Mr Ryzhkov appears to combine the worst of all possible worlds: imposing price rises by command, not taking any clear measures to move to a market, and setting off panic buying to aggravate all the current shortages in the shops.

The programme was presented to Parliament after having been debated and apparently approved by the President's Council, the top-level advisory body set up by Mr Gorbachev when he became Executive President in the spring. Yet Mr Gorbachev's economic advisers, such as Dr Stanislav Shatalin, and Professor Nikolai Petrakov, are obviously totally opposed to it. Dr Shatalin says the President himself is not committed to it.

The question is whether Mr Gorbachev is giving his Prime Minister, long seen as a potential opponent of sweeping market reforms, enough rope to hang himself. If so, it may be a politically brilliant manoeuvre, but it will simply mean more delays in stopping the economic collapse.

The same is true about the extraordinary idea of having a referendum. Three factors may have been behind it: Mr Gorbachev's promise to consult the population before any price reform; the recognition that the Government has no popular mandate for unpleasant reforms; and possibly the desire to kill off a disastrous package. But it requires a law to be passed in the Supreme Soviet, and it will almost certainly ask questions either absurdly simplistic ("Do you want food prices to double?") or impossible to answer from a position of absolute ignorance ("Do you approve of transition to a market economy?") Again, it will mean months of delay to achieve a meaningless end result.

An alternative to the Ryzhkov plan, which seems to be emerging from a "conspiracy of professors", all committed to more radical reforms, could come out in the summer. It would reverse the process, as Professor Petrakov wants, and enforce radical measures to control or break up state monopolies before liberating market prices. There would certainly be inflation, but at least higher prices might begin to have an effect on production, and not simply consumers' pockets.

Dr Shatalin and Professor Petrakov both believe that such a programme cannot be carried out without large-scale economic and technical assistance from the West. In that they are also on the opposite side to Mr Ryzhkov, who has a prudent Victorian attitude to foreign borrowing.

If Mr Gorbachev is playing a complex and devious political game to outmanoeuvre Mr Ryzhkov and the government bureaucracy, then a second complicated relationship with Mr Yeltsin, also looking to exploit the situation, can only make matters worse.

The issue on which the relationship between the two could prove most difficult is on the relationship between the republics and the union, and above all on the key question of secession – in the Baltics, and even in such increasingly nationalistic regions as the Ukraine.

Mr Yeltsin made it clear before his election that he would exploit the desire for greater sovereignty in all republics, including Russia, to the full. In his final speech before election, he was more conciliatory, so the *final strategy* is unclear.

Beforehand, he was critical of the President's whole strategy towards Lithuania, for example, saying it was a nonsense for a state to impose an effective blockade on one part of the country. He promised direct treaties between Russia – the supplier of oil and gas – and the other republics, starting with the Baltics. If he could pull it off, it would undermine all Mr Gorbachev's efforts to force the Baltics back into line.

Indeed that issue was the one on which Mr Gorbachev attacked him most angrily last week, accusing him of trying to encourage separatism, destroy the union, and "isolate Russia from socialism." "Under the banner of establishing the sovereignty of Russia, he is appealing essentially for the *disintegration of the Union*," he said.

How far Mr Yeltsin goes along that road probably depends on the deal Mr Gorbachev is prepared to do. Obviously the Russian President cannot command a majority in the Russian Parliament on every issue. But he has shown he can put together *a coalition* of forces with as much skill as the Soviet President.

It is all such a tragic irony for the Soviet leader. Only two months ago he assumed the powerful executive presidency of the Union to bring some coherence to government at a *time of* increasingly chaotic political debate. Since then there has been no sign of coherence. Indeed, the job Mr Gorbachev took on could prove to be the head of an ever weaker federation, if real power continues to pass to the republics. In conditions of economic disintegration, with some republics putting road blocks on their borders and banning exports, that looks like an inevitable process.

> **Mr Yeltsin made it clear that he would exploit the desire for greater sovereignty in all republics**

Back in Washington, the whole sorry Soviet scene presents President Bush with an awful dilemma. So far he has been able to keep his distance, maintaining a respectable stance of non-interference. At what stage will the fear of Soviet instability drag him into much greater involvement? The most articulate proponents of a real switch to a market system insist it cannot be done without outside support. This week Mr Bush may have to face up to the prospect of being asked to bail out his rival superpower.

OBSERVER

Governess of the Bank

■ Women are moving up in the world of European central banking. Hard on the news that the new governor of the National Bank of Austria is to be the 58-year-old Maria Schaumayer comes an announcement from Copenhagen of the appointment of Mrs Bodil Nyboe Andersen as one of the three executive directors of Denmark's equivalent.

Nyboe Andersen, 49 and mother of two teenage children, thus becomes the hot favourite to succeed the present governor, Erik Hofmeyer, when he retires, probably in 1994.

As a student, she obtained the highest marks given in the economics finals at Copenhagen University since her father, Professor Poul Nyboe Andersen, took his degree a generation earlier. She became an academic, but switched to banking in 1981 as an executive director of Andelsbanken, and subsequently chief general manager-designate.

She is currently a member of the board of executive directors of Unibank, the bank formed earlier this year by a merger of Privatbanken, SDS and Andelsbanken, and will stay until the end of October.

At the National Bank she should take over the responsibilities of the retiring director, Richard Mikkelsen, for domestic monetary and foreign exchange matters, including membership of the EC's committee of central bankers.

Awarded a prize as Businesswoman of the Year, she said she hoped women in senior management would soon become so common that the prize would be superfluous.

Square meals

■ Welcome to Square Meal. So far as I know it is the only restaurant guide specifically covering the City. It lists not only pretentious restaurants, but goes through the whole range to pubs, wine bars and vegetarian. A little bit of straight information is given about each.

Some 60,000 copies are being distributed free in the City. The publication will come out twice a year and carries advertising. It may even make money for the two ex-City men who devised it: Simon White, formerly of KPMG, and Mark de Wesselow, ex-BZW. They say they want feedback for the next edition and are offering champagne prizes.

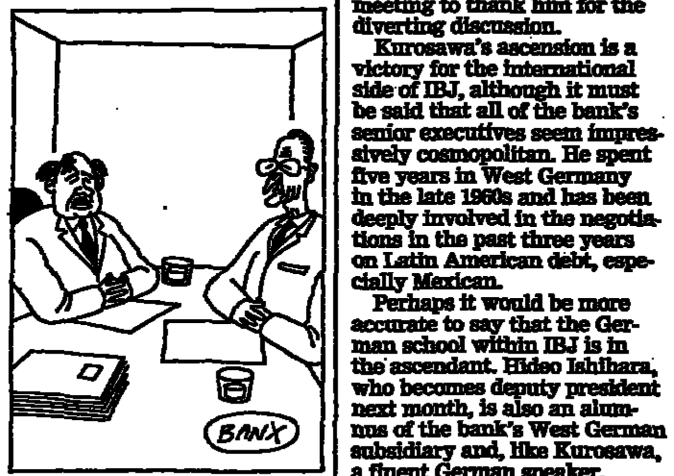
French parade

■ Britain takes some of the 50th anniversary commemorations of the events of the Second World War more seriously than others. Take the battle of Narvik, for example. A combined British-French-Polish-Norwegian force achieved the first victory over Hitler's force in a remote but strategically important part of Norway.

Actually, the triumph was short-lived. The secret order to withdraw from Norway came before the battle was won – something that Norwegians are still bitter about. But the British Royal Navy played a crucial part in the engagement.

It was hard to realise that from the weekend celebrations. Tom King, the Defence Secretary, turned up at the last minute for one of the three days of festivities, but only 14 out of the estimated 1,500 old soldiers who came were British as well as a sprinkling of naval and army officers.

The *occasion* turned into almost a wholly French-Norwegian affair. Jean-Pierre Chevènement, the French Defence Minister, led a huge delegation of top brass, including a contingent of Alpine chasseurs and a band that played the Marseillaise at the ceremony



"Enough about me – how have you been keeping?"

but not God Save the Queen. Alongside a large tricolour fluttered a Union Flag the size of a dish-cloth.

According to senior officers, Britain has plenty of victories to celebrate over the next five years, and Narvik was a small show. The French were there in force because "it is one of the only battles they won in the whole war."

IBJ's new men

■ Yoh Kurosawa, who will become president of the Industrial Bank of Japan next month, is one of the few senior Japanese businessmen with whom an outsider can have an argument.

That may sound odd, but Japanese business culture puts such a premium on smoothing over or repressing differences, especially with foreigners, that most encounters with executives at Kurosawa's level tend to lack fire.

A colleague recalls having the temerity to doubt Kurosawa's judgment on the collapse of Japan's aluminium smelting industry a few years ago, and suddenly finding himself in a lively debate in front of several spectators. Kurosawa rushed over at the end of the meeting to thank him for the diverting discussion.

Kurosawa's ascension is a victory for the international side of IBJ, although it must be said that all of the bank's senior executives seem impressively cosmopolitan. He spent five years in West Germany in the late 1960s and has been deeply involved in the negotiations in the past three years on Latin American debt, especially Mexican.

Perhaps it would be more accurate to say that the German school within IBJ is in the ascendant. Hideo Ishihara, who becomes deputy president next month, is also an alumnus of the bank's West German subsidiary and, like Kurosawa, a fluent German speaker.

Mrs Menem

■ Zulema Yoma de Menem, wife of Argentine President Carlos Menem, is currently at the eye of a political hurricane. Did or didn't she say: "This country will go to the devil in August"?

According to the latest edition of the weekly magazine, Noticias, she said not only that but a host of other potentially damaging things, relating to her husband's personal and political life. It has been an open secret for months that she opposes her husband's economic policies of privatisation and generalised belt-tightening.

Carlos Menem filed for legal separation from her in 1987, but dropped the case as his hopes of winning the presidency grew. He may yet take it up again.

Heavenly voice

■ From a Sussex parish magazine: "We have been asked to state that at the musical evening reported in our last issue Mrs . . . sang the solo Lord Speak to Me and not Miss . . ."

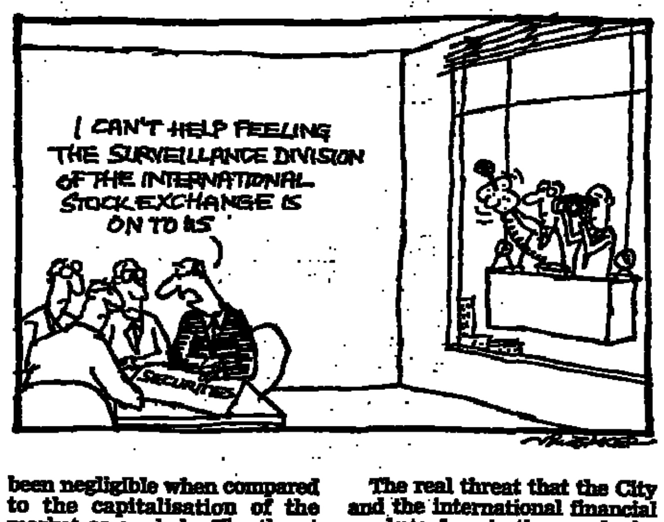
LETTERS

Market manipulation: the real threat to the City

From Mr Richard Caird.

Sir, Like many in the City, I have read the recommendations of the Third Report of the House of Commons Trade and Industry Committee on Company Investigations and subsequent press comment with interest

The committee and media are clearly concerned that the regulatory regime which governs the securities markets in London is not being effectively enforced. Their concern focuses upon the delays in investigating, and the lack of success in prosecuting, insider dealing. But is this justified?



There is no evidence, as yet, to substantiate the rumours that sophisticated rings of insiders are operating in the City in the same manner as Ivan Boesky and others from Wall Street. Those prosecuted in this country for insider dealing have generally been opportunists whose profits have been negligible when compared to the capitalisation of the market as a whole. The threat to the stability of that market and to investor confidence would appear therefore to be negligible.

The real threat that the City and the international financial markets face is the manipulation of the securities markets, as the Surveillance Division of the International Stock Exchange alone appears to appreciate. While market manipulation occurs most readily in relation to the thinly traded shares of companies which are not highly capitalised, the resources available to money launderers render shares of all companies vulnerable. Such control of the market place not only engenders increased volatility in prices but affects all investors rather than just those who are parties to manipulative transactions.

I share the committee's concern about effective regulation. Increased regulation, however, means correctly identifying those practices which require policing. If the procedures for investigation and prosecuting insider dealing merit a further overhaul, that should be proved.

Richard Caird,
Partner, Head of Fraud Unit,
Wilde Sapte,
Queensbridge House,
60 Upper Thames Street, EC4

Non-executive directors: valuable experience to be gained from a voluntary scheme

From Mr D.M. Clement.

Sir, Having been involved during the 1970s and early 1980s in many discussions on institutional responsibilities towards the companies in which they held shares, I am only too conscious of the failure to find a solution to what was, and still is, a difficult issue.

It is good therefore to see the matter reopened by your editorial comment of May 22 ("The role of shareholders,") and in John Plender's article of the same day ("The limits of institutional power"). As a contribution to further discussion, may I build on your suggestion that non-executive directors should be mandatory for companies of more than a certain size.

Before moving to a mandatory requirement I would like to suggest that a significant number of companies in the Alpha stocks lists should be invited to establish, voluntarily, institutional shareholders advisory boards.

The size of the advisory board might be related to the percentage that the institutional shareholdings bear to the total of ordinary shares in issue, with, say, one member for each 20 per cent. For example, on the shareholdings data given in the Allied Lyons 1988 Report (page 63) the number would be four. Comparable data in several other reports indicate similar numbers.

To set up the advisory boards, appropriate institutional bodies should be invited to compile a panel of people who have been or are actively engaged in industry or commerce.

The selection of the individual advisory boards should be made from the panel by an independent body comprising representatives from the Bank of England, the Stock Exchange, the Institute of Directors and the Confederation of British Industry. Each member would hold office for three years and be eligible for a further two years only.

The frequency with which the advisory board met the executive board would be left for each company to decide but there should be an expectation of at least four meetings each year. Furthermore the advisory board should also be permitted, if it considered it necessary, to have included in interim statements and the annual report any observations which it felt should be conveyed to shareholders generally.

A decision on making mandatory the appointment of non-executive directors could be based upon the experience of voluntary arrangements on these lines.

D.M. Clement,
19 The Highway,
Sutton,
Surrey

From Mr Joe Whitehead.

Sir, John Plender presents two views of the short-termism controversy: first, that the market does think short-term, or alternatively, that it does not.

May I propose that obvious third, that it does both, but probably more of the former?

The evidence from the Securities and Exchange Commission (SEC) study seems to show that the market does respond to improvements in the long-term potential of a company. But, these changes are typically small in comparison to the short-term changes. The current share price of a firm can be largely explained by its current, or near-term profitability.

Disney provides a nice example. When the share price rose nearly 4 per cent on announcement of the Eurodisneyland deal, this was extolled as a sign of the long-termism of the market. Interestingly enough, the share price had risen 400 per cent over the previous four years, on the back of a four-and-a-half-fold increase in earnings.

Who is to blame for this short-termism is a far more complicated question. But it seems unfair to ask shareholders to place more trust in company management when they have so little information to go on. Even if they did have more information, can shareholders really be criticised for being sceptical about management's long-term projections? As a contrast how many company headquarters really hold much trust in the five-year projections of their divisions? Bread today may be more attractive than jam tomorrow.

As long as the divide between owners and managers remains wide, and as long as the information to shareholders is so limited, we can expect no significant change in the share-pricing game.

Joe Whitehead,
London Business School,
Sussex Place,
Regent's Park, NW1

Labour and the market

From Mr K. Hartley, Mr N. Hooper and Mr J. Wiseman.

Sir, There seems to be some confusion running through the debate over markets and government (John Eatwell, Letters, May 23).

The market is a valuable social invention as is government: both are means for the achievement of ends. It is not the market or government which decides what is efficient or socially desirable. People do that, through the market, government and other agencies and institutions also invented for the purpose.

If the results are not what the people want, then they must change either the institutional framework or the choices they make within that framework. In the case of the market, that may mean changing the distribution of income, the responsibilities of parents for the education of their children, property rights in the environment or whatever.

We welcome the tardy appreciation by the Labour Party of the market as a major instrument of policy. But to refer to it as a bad master suggests a continuing (and confused) desire to blame a passive instrument of policy (the market) for the shortcomings of an active one (the government).

Keith Hartley, Nick Hooper,
Jack Wiseman,
Institute for Research in the Social Sciences,
University of York

From Mr David Simpson.

Sir, Mr Eatwell's assertion that François Quesnay was the founder of modern economics may account for the Labour Party's curious belief that one sector of the economy is intrinsically superior to all the others.

It does not explain, however, why he and his colleagues think that this sector is manufacturing, whereas Quesnay thought that it was agriculture.

David Simpson,
11 Kingsburgh Road,
Edinburgh

Europe's cars: an oxygen tent of protectionism

From Mr Vic Heylen.

Sir, In his interview with Kevin Done ("A final lap for driving ambition," May 21) Mr Jacques Calvet, chairman of Peugeot, claims to be able to solve his Japanese problem with another period of restricted imports – at least "until European car makers have achieved half the market share in Japan that the Japanese have in the European Community."

In that case he will not have to wait very long. Probably not even until the end of this year and certainly not another 10 years as he suggests.

Last year the European share of the Japanese car market stood at 4.1 per cent, not far away from half the 8.99 per cent Japanese share of the EC market.

Two-thirds of all imported cars sold in Japan are, however, of West German origin. During the last months of last year the car trade balance between Germany and Japan turned in favour of Germany.

The share of Mr Calvet's cars on the Japanese market was a poor 0.2 per cent. It is difficult to believe that this poor performance has anything to do with "the protected nature of the Japanese market" as Mr Calvet claims. On the completely free American market, European manufacturers manage no better than 4.89 per cent market share with 0.06 per cent for Peugeot.

Last year Peugeot even sold more cars in the so-called difficult to enter Japanese market (8,494) than it did on the free and open American market (6,054) – which makes it difficult to understand what Mr Calvet is complaining about.

In its European home market Peugeot is not as competitive as Mr Calvet would like us to believe. Peugeot owes its 12.6 per cent European market share to the fact that it generates 80.3 per cent of its European sales in the five protected markets. On the remaining free European markets and against full Japanese competition Peugeot only manages a very poor 6.44 per cent market share.

If 6.44 per cent is anything like representative of Peugeot's competitiveness under free market conditions, Mr Calvet's fear of being "eliminated" in a completely free market is easy to understand.

The question is whether another 10 years of protectionism will change anything.

The first European demand for 10 years of protection so as to become competitive again, was heard in the early 1970s and repeated in the early 1980s. That makes one wonder what good another 10 years of protectionism could possibly do, if not to further deteriorate the competitive position of European manufacturers in a much appreciated protectionist climate.

The simple economic truth is that the European car industry has for too long been kept alive and lost competitiveness under an oxygen tent of protectionism. So much so that the only European cars which in future will be truly competitive on world markets will be Japanese cars built in Europe.

Vic Heylen,
Managing Director,
Analyse Auto,
Mechelsesteenweg 12,
Antwerp,
Belgium

Vertigo relief

From Mr Marc Freed.

Sir, John Plender's analysis of banking system faults ("A Case of Vertigo," May 9) ignores a fair and practical solution to the problem of deposit insurance in the US.

Let the Federal Deposit Insurance Corporation decide how insured funds may be invested and require banks to offer insured and uninsured accounts. As long as politicians allow the FDIC to prepare its eligible list without prejudice, the market will establish a fair spread between the low and high risk accounts.

Marc Freed,
President, Euronomics,
878 Albany-Shaker Road,
Latham, New York

Danger in exchange rate constraint as a dominant policy

From Mr John Muellbauer.

Sir, Samuel Brittan ("Consumer wants it now," May 17) argues that "the British consumer is not out; he is hardly even down," and wonders why "domestic spending still rises so quickly, bringing either inflation or payments deficits or both."

He argues that financial deregulation was the basic spark and that "the peculiar structure of the British housing markets boosted the effects of deregulation ... but with the important exception of the switch from the rates to the poll tax, the underlying housing distortions have long been there."

I am pleased that, so far, we are in entire agreement. He might even grant me the rider that the peculiar structure of the British housing market tends to amplify not only the effects of deregulation but also of income growth and tax cuts. We part company on two major issues.

First, he argues that the lending spree "stimulated an investment boom involving both the enlargement and the modernisation of business capacity." But what kind of business investment? As I showed ("A pattern biased against trade," February 19) the available evidence suggests that this expansion of capacity was biased towards the sectors of the economy which contribute relatively little to the balance of payments. Nor did government investment in the infrastructure or education compensate. As we are all now painfully aware, the reverse was the case.

The implication is that the whole economy chose consumption now at the expense of future living standards. Unfortunately, the squeeze on living standards will not be confined to the shareholders in failed or poorly performing estate agencies, retailers of consumer durables or even shareholders in the clearing banks, more than 100 per cent of whose funds are invested in UK commercial property developments, where bankruptcies are rising.

The second issue on which we disagree is on policy. He praises my proposals for their virtues in improving the allocation of resources and labour mobility but asserts "there is no assurance that any feasible version of them could have stopped a lending boom." For the record, my policy package has four parts:

- Bring back a residential property tax or introduce a land tax with annual indexation to house or land prices and appropriate allowances for those with low cash incomes.
- Restrict mortgage interest tax relief (for example by limiting it to once only and for eight years for each borrower).
- Tighten capital adequacy ratios on banks and building societies as partial compensation for the greater asset price volatility induced by financial liberalisation.
- Use sticks and carrots to encourage local authorities and other public or quasi-public bodies to release land for early housing development, especially for low income groups.

If his criterion for feasibility is what Mrs Thatcher finds acceptable, his assertion is, of course, correct but in a trivial sense. Our research on what drives house prices suggests that such a package would have been very effective in curtailing the ratio of house prices to incomes without resorting to massively high interest rates. Most of the elements in this package I proposed in a 1986 FT article (October 23) which warned in strong terms of the consequences for consumer expenditure, inflation and the trade balance if the house price boom facilitated by financial liberalisation was not checked.

While I share Mr Brittan's concern for an exchange rate constraint to be an important part of a credible anti-inflationary strategy, I believe now as I did then, that it is dangerous to rely on it as the dominant policy.

John Muellbauer,
Nuffield College,
Oxford

European civil aviation

Flying in the face of facts

By Paul Seabright

The European air transport industry is beginning a comprehensive process of restructuring under the influence of the Single Market Programme. It is an overdue and entirely welcome antidote to years of publicly sponsored collusion between sleepy airlines which preferred to enjoy the fruits of cartel life in the form of high costs rather than high profits, and for whose management the word "competition" had connotations more of the golf course than of the marketplace.

But there is already widespread alarm at the way this restructuring threatens to be dominated by takeovers, mergers and strategic alliances between existing carriers at the expense of potential new entrants to established routes.

The Monopolies and Mergers Commission and the European Commission are both investigating British Airways' proposed 20 per cent stake in Sabena, the Belgian state airline. Air France and Lufthansa, the German carrier, have announced a co-operation agreement and have recently either taken over or rejoiced at the failure of their only significant national competitors. British Midland has complained that it is being denied the airport slots necessary to operate services to Paris and that British Airways has used predatory tactics on domestic routes. Some alarmist voices in the US have pointed to the recent consolidation of the market there as a sign that deregulation of the industry in 1978 was a mistake, and one that Europe must at all costs avoid.

There are two popular but false beliefs about airline competition which, if acted on by regulators, could make the gloomy predictions come true. These are the conviction that airlines have to be very large to be efficient and the view that congestion in the air and on the ground in Europe is primarily a technical problem requiring a technical solution.

- **Size:** Although there are some modest economies of scale in marketing and fleet management, most of the benefits of being large consist in an airline's ability to damage its competitors rather than its capacity to offer a better or cheaper service to travellers. This has become evident in the US where airlines operating large networks and dominating "hub" airports have been able to defy competitive pressures.

A recent study by Severin Borenstein of the University of Michigan found that carriers increased their fares by 4.3 per cent for every 10 per cent increase in their share of traffic on a hub. They have been helped to do this by loyalty inducements such as frequent-flyer programmes which reward loyal (and therefore price-insensitive) travellers at the expense of everyone else, including the taxpayer, since frequent-flyer benefits for business travellers are a kind of untaxed income.

But even without these inducements, large size and hub dominance make it easier for carriers to use predatory pricing and saturation scheduling to drive out competitors, or to restrict their access to take-off and landing slots.

Control of computerised reservation systems allows them to bias the marketing process away from their rivals. The cost to the traveller may be high, but it is invisible: it lies in the fares never reduced, the service improvements never made, the booking flexibility and the more convenient schedules that no competitor has dared to introduce.

Why is it so popular to argue that efficient airlines need to be large? One reason is that operating costs are indeed lower for larger aircraft. For example, in 1987 the average cost per seat mile to operate a 91-seat aircraft was 7.71 US cents. This figure fell to 3.60 cents for a plane of 192 seats and to a low of 2.59 cents for 505 seats. This means that airlines that achieve a greater density of passengers on a given route may, by operating larger aircraft on average, lower their operating costs. It does not mean that operating many aircraft of a given type is much cheaper than operating a few. Nor does it mean that operating many routes is cheaper than operating a few.

However, an airline that operates many routes can be obstructive on the transfer of tickets, can use predatory pricing or scheduling, can bias its computer reservation system and can exploit loyalty inducements to ensure that competitors never achieve the traffic density to enable them to lower their costs.

The competitive strategies of an airline are good news if they offer travellers lower fares in the long run or better service. They are bad news if they work mainly to raise competitors' costs or obstruct its ability to provide a service.

Most of the strategies that large size makes possible are of the latter kind. Evidence from the US does not suggest that restructuring which diminishes competition yields compensating benefits of scale. A study by Steven Morrison and Clifford Winston for the Brookings Institution found that mergers that reduced the number of airlines serving a route from two to one would, on average, raise round-trip fares by $89, or 32 per cent.

- **Congestion:** It is becoming evident that the manner in which facilities are allocated is at least as important as how much capacity there is.

At present take-off and landing slots at congested airports are allocated by committees dominated by incumbent carriers. The system acts as a serious barrier to entry by carriers that are not already part of the charmed circle. It creates incentives for takeovers motivated purely by the desire for access to slots rather than any intrinsic efficiency gains. And because it fails to charge carriers for the congestion costs they impose on others, it biases the planning of route networks towards more "hub-and-spoke" types (and therefore more indirect flights) than congested Europe can afford.

There is no real substitute for a system of congestion pricing that allocates slots to those carriers that can use them most efficiently. The slots need to be auctioned.

Regulatory protection has allowed Europe's airlines to get away with high costs for many years. Several studies have shown them to have productivity levels much lower than those of comparable US carriers. Francis McGowan and I (in Economic Policy, October 1989) have found wage and overhead costs to be much higher than those of US carriers (see table).

Overstaffing has also been common. We found that in 1987 the eight top European carriers had 2.9 times as many non-flight staff as flight staff, compared to an average of 1.7 for the nine main US airlines. The difference does not seem to be related to scale. Even this does not take account of the fact that European flight staff have lower yearly workloads than those in the US. It is hard to say to what degree differences in service quality compensate for this discrepancy; but European travellers have little choice in the matter. British Airways emerges from many comparisons as considerably more efficient than its large European competitors, but less efficient than most US carriers.

The dismantling of barriers to the challenging of Europe's airline cartel is welcome. But many airlines are busy erecting new barriers without waiting for the old ones to fall. If regulators listen to spurious arguments about the benefits of size and the unimportance of reductions in competition, or ignore signs of the anti-competitive effects of airport congestion, the brief threat of a more competitive industry will have been banished, and Europe's airlines will sink back into a grateful sleep.

The author is Director of Studies in Economics in Churchill College, Cambridge.

US/EUROPEAN COST COMPARISONS (1987)

AIRLINE	Labour Cost per person per annum ($0000s) Pilots	Other cockpit	Cabin crew	Indirect costs as % of total
Eight US majors	92	40	28	51.6-57.9
BA/BCal	65	48	19	63.1
Sabena	n/a	123	39	58.6
Lufthansa	n/a	130	40	n/a
Iberia	109	80	37	65.7
SAS	n/a	103	41	62.2
Alitalia	n/a	93	59	58,7

Source: ICAO

FINANCIAL TIMES
Wednesday May 30 1990

EC/JAPAN TALKS

Bilateral working group agreed

By Tim Dickson in Brussels

JAPANESE and European Community ministers agreed in Brussels yesterday to develop political relations and to set up a new working group on bilateral trade.

The first ministerial level talks for three-and-a-half years left both sides happy with the result, though this was hardly surprising since controversial issues such as access for Japanese cars in a single market were not seriously discussed.

With the EC's overall deficit with Tokyo narrowing over the first nine months of 1989, trade tensions were never expected to surface in the talks.

However, Mr Frans Andriessen, the EC's External Relations Commissioner who led the Brussels team, will have been pleased with the commitment to set up a working group "to review the present situation on bilateral trade, discuss those problems which are hindering market access, and identify bases for possible solutions that could be discussed either bilaterally or multilaterally".

Taro Nakayama: impetus

Frans Andriessen: pleased

The reference to "bilateral" talks was something of an achievement for the EC given Tokyo's basic position that the multilateral trade talks known as the Uruguay Round are the appropriate forum.

Mr Andriessen, who singled out the leather, shoe and processed food sectors as "requiring further examination", nevertheless agreed at a press conference after the meeting that the Uruguay Round would be the main framework.

Brussels was also pleased to get a commitment from Japan that the structural adjustments which Japan will introduce in the context of SII (its Structural Impediments Initiative with the US) "will be beneficial to all trading partners".

From Japan's point of view the reference in the communiqué to "giving political impetus" to the further development of EC-Japan relations was seen as especially significant. Mr Taro Nakayama, Japan's Minister of Foreign Affairs, talked later of "building a political partnership on a global basis". Japanese officials cited co-operation over aid to eastern Europe in the Group of 24 as a model.

Mr Andriessen, however, was wary of Japanese involvement in the Conference on Security and Co-operation in Europe process. "You can't exclude it but you can't be positive either."

The only tense moment at the press conference came when Mr Kabun Muto, Japan's Minister of International Trade and Industry, was asked about the EC's apparent intention to take some account of UK-manufactured Nissans in its future monitoring of Japanese car imports. "Things made on European soil should be interpreted as European products," he replied firmly.

Kitcat & Aitken to close after 90 years

By Daniel Green in London

KITCAT & AITKEN, the London securities house owned by RBC Dominion Securities International, a subsidiary of Royal Bank of Canada, closed last night after 90 years in business and with the loss of 125 jobs.

It is the second pillar of the British financial establishment to close this year, after Citicorp Scrimgeour Vickers. Senior executives in other securities houses say that it will not be the last. One suggested another closure would follow in days.

RBC Dominion Securities International said it had concluded it would not be able to make a return on its investment. Mr John Sanders, chairman, said: "A year ago it might have been viable to sell or merge, but no one now is on the lookout for a business like this."

The closure leaves RBC Dominion Securities International with 80 employees in London involved in the trade of Canadian bonds and securities and Eurobonds.

The overcapacity of the City of London has been recognised since the market crash of October 1987 and a shakeout in securities firms has been long predicted. Mr Sanders said: "We expected that the rationalisation [of City securities houses] would occur reasonably quickly. What we didn't anticipate was the depth of people's pockets and their commitment to the industry."

One analyst from a rival broker said Kitcat's problems had been in marketmaking. The house only made markets in smaller companies in the leisure and transport sectors.

Orion Royal Bank, the international merchant banking arm of the Royal Bank of Canada, bought into Kitcat in 1985. RBC's relationship with Kitcat dated back to 1909, when Kitcat was responsible for the bank's London listing.

The bank initially bought a 29.9 per cent stake from Charterhouse J. Rothschild in February 1985.

Soviets to make version of Fiat Panda

By John Wyles in Rome

MOSCOW is to broaden collaboration with Fiat of Italy by making a version of Fiat's Panda small car instead of a new vehicle of its own design.

This means Fiat may be involved in all three phases of Soviet plans for raising output at the Yelabuga plant, 1,000 miles south-east of Moscow, by 900,000 units by the end of the 1990s.

The two sides agreed last November to launch a joint venture at Yelabuga to make 300,000 small cars from 1994, and to discuss output of an extra 300,000 medium-sized vehicles from 1995. Moscow has made one big alteration in its plans, to Fiat's benefit, by deciding to use the company's engines and gearboxes in all 900,000 Yelabuga models.

In the first public confirmation of a second change of strategy, Mr Cesare Romiti, Fiat managing director, said Moscow had been unable to meet the costs and launch date objectives for the 850cc vehicle. "We explained that to have low costs and a quick launch, it would be better to buy a model. The Soviets chose the Panda after a lot of thought."

At Fiat's HQ in Turin, Mr Romiti disclosed:

- Group sales would rise by about 21 per cent this year to L63,000bn ($51bn), by natural growth, and consolidation into the balance sheet of the activities of the Toro insurance company and Rinascente department store chain.

He expected profitability to stay at a current 9 per cent of sales, implying an operating profit of around L5,860bn.

- He expected a five-year transition arrangement to be negotiated with Japan before Japanese car companies would have full access to the EC internal market.
- Fiat was seeking to prepare for full competition with Japanese makers on the basis of a "total quality" concept, to be applied throughout Fiat Auto and to its suppliers. More worker-participation in management decisions was part of this, and union representation at board level "is not excluded".
- Fiat was not considering any merger or exchange of equity with Peugeot of France, but did expect to deepen existing operating ties. The "total quality" concept had been launched last year and was less concerned with the final product, always a quality objective, than altering behaviour. It was "still evolving" as a management strategy, and it was essential "the unions become involved".
- Stefan Wagstyl reports from Tokyo: Toyota Motor, the Japanese car maker, is investing Y13.2bn ($86.8m) in two new plants in the Philippines and Malaysia, and in an operations centre in Singapore, in an effort to boost car parts output in south-east Asia. Toyota is building a Y10.6bn transmissions factory in Manila, to employ 400. A Y2.6bn plant in Selangor, Malaysia, will make steering links and employ 100.

Hong Kong will bring in workers to combat shortage

By John Elliott in Hong Kong

HONG KONG is to allow companies to import more than 15,000 skilled and semi-skilled employees to offset a serious labour shortage, which has hit the construction and service industries and some parts of manufacturing.

The Government believes the shortage is contributing to the colony's low economic growth rate, now around zero, and this led the executive council, or inner cabinet, yesterday to approve the initiative despite strong trade union opposition.

There is to be no geographical restriction on the nationality of the workers. Many will come from south-east Asia and probably only a relatively small percentage from mainland China.

The main aim is to fill vacancies caused by recent overheating of the economy, which was growing annually at around 13 per cent in the years 1986-88.

It will also help to compensate for some of the lower end of the colony's brain drain, in which more than 50,000 people are expected to leave this year.

The policy is divided into three areas and starts on July 1. A scheme is being introduced to import up to 10,000 experienced operatives for jobs ranging from craft workers to shop and office staff.

A further 2,000 people are to be allowed into Hong Kong's construction industry for government-approved projects such as the planned airport.

Another scheme, introduced a year ago for technicians, supervisory personnel and craft workers, is being extended, with a fresh quota of 2,700. This is in addition to about 2,720 approved in the past year out of a quota of 3,000.

Hong Kong's labour force totals about 2.8m, out of a population of 5.8m. The unemployment rate is only 1.7 per cent, which is well below the 2.5 to 3 per cent considered by the Government to be economically satisfactory.

Supply of new labour has been slowing down, and the Government is worried that the labour shortage will become a serious economic bottleneck.

Previous restrictions on the percentages of expatriate employees in a company and on pay levels are also being waived.

THE LEX COLUMN

The hard world of software

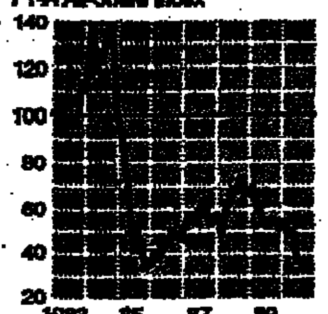
When an industry which has been enjoying volume growth of 20 per cent plus per annum begins to slow, there are bound to be problems. But as was highlighted by yesterday's nasty profit warning from Logica and the 27 per cent drop in its share price, the pain and suffering in the UK computer software business is proving far worse than many imagined. This is supposed to be a recession-proof industry. If it is not, its sky-high multiples can only be justified by a belief that the problems of Logica *et al* are not going to frighten away the strategic predators who are said to be eyeing up rivals like Hoskyns and SD-Scicon.

Logica has proved yet again that when things go wrong in this industry, they go wrong in a big way. The last time it ran into difficulties was in 1984 when it slumped from a pre-tax profit of £5.1m to a £2.3m loss. Now it looks as if it will be lucky to earn half last year's £18.8m. The problems are reasonably familiar. Once again, the US is proving a minefield for ambitious UK software companies, as are fixed price contracts. The big surprise about Logica is that it was supposed to have a better balance of business than most.

Even after yesterday's sell-off Logica is still on 26 times prospective earnings, and its shares are among the lowest rated in a sector which is underpinned by a cosy assumption that the days of the independent soft-ware houses are numbered. If they are, it should surely be a buyer's market.

Logica

Share price relative to the FT-A All-Share Index



Eurotunnel

The progress towards Eurotunnel's refinancing is proving almost as painstaking as the digging of the tunnel itself. Given the uncertainty about the intentions of the Japanese banks, the news that the European Investment Bank has agreed an increase in its loan is certainly encouraging. But the news is not that wonderful. The EIB is only subscribing £300m out of the extra £2bn, a smaller proportion of the total debt than the £1bn it contributed in the first round.

Nor should there be rejoicing in the streets that the banks have agreed to let Eurotunnel draw down funds; they could hardly have done anything else without sabotaging the project. With the tunnelling proceeding roughly on schedule, the banks would have nothing to gain from pulling out now. But given that the debt/equity balance of the package has shifted from 3:1 to 4:1, the banks are entitled to ask for an increased margin.

Whether or not to underwrite the rights issue is another question. A deep discount might smack of desperation but would be cheaper; and if timed to coincide with the breakthrough in the service tunnel, the issue might be swept forward on a tide of sentiment. The choice is roughly between a two-for-five at 400p and a two-for-three at 250p; much may depend on the latest revenue estimates which will need to be convincingly optimistic.

Kitcat & Aitken

The abrupt closure of Kitcat & Aitken is bound to raise the anxiety level in London's stockbroking community. Kitcat fulfilled some of the criteria of vulnerability in being medium-sized and foreign-owned. But it also had a good proportion of ranking analysts and was to all appearances tightly run. Apart from a small handful of dominant firms – almost all of them locally controlled – no London broking house can be sure of survival.

One indication of how long this will last will be how many of those now redundant are promptly re-employed. There will always be a market for analysts and salesmen of genuine ability; but wholesale dispersal to other firms, as has seemingly happened with other recent closures, is no answer to the industry's endemic problem of overmanning.

Blue Arrow

The agreement between County NatWest and the institutions over Blue Arrow compensation should with luck mean the end of the whole affair, for investors at any rate. County's offer – marginally improved, but still within its original provision of £30m – will be recommended by the Institutional Shareholders' Committee to its members. Phillips & Drew had already broadly agreed to match County's terms; and though it is still dragging its heels over points of detail, it is expected to come up with the goods by next week.

Phillips & Drew's clumsy unwillingness to compromise has left it in the plainly inequitable position of paying more than half the cost. But this is now something for the two parties to sort out between themselves, with or without the benefit of litigation. The ISC, meanwhile, has emerged from its first big test case very creditably. Not only is cash being disgorged fairly promptly ahead of criminal proceedings but reasonable thought has been taken for the individual shareholder as well as for the institutions which the ISC primarily represents. On a day which saw the closure of yet another London stockbroking firm, there could be no clearer reminder of how the balance of power in the securities industry has swung in favour of the customer.

Westland

At first glance, it is no great surprise that the shares of Britain's biggest and only helicopter-maker have underperformed the market by 25 per cent in the past year. It would seem to be a prime target of any defence cuts and GKN, its biggest shareholder, appears to have lost interest in taking it over. The 43 per cent jump in interim pre-tax profits to £11.5m proves that it is no longer a one-product company; but the longer the gap in its helicopter order book remains unfilled, the greater the uncertainty about its long-term future.

The questions over the company's defence role are less of an issue than its ownership. Fresh orders for military helicopters will be forthcoming eventually; indeed, Westland might even benefit from defence cuts if a reduction in troop numbers were matched by a demand for greater mobility. But Westland would make far more sense as part of a bigger group, and would look a good deal more attractive if it had a healthy helicopter order-book. This may not be as long coming as some suggest, if only because a superstitious Conservative Government does not want its chances of re-election spoiled by another Westland crisis.

Hopes raised for negotiations on Northern Ireland's future

By Ralph Atkins in London, Kieran Cooke in Dublin and Our Belfast Correspondent

HOPES were rising yesterday that Mr Peter Brooke, the British Government's Northern Ireland Secretary, could soon be able to clear the way for round-table talks to start on the province's political future.

British officials are cautiously confident that efforts by Mr Brooke in London, Belfast and Dublin to open up discussions on all aspects of the Northern Ireland problem could lead to both Unionists and nationalists agreeing to formal talks.

Irish officials emphasised that it was premature to talk of a political breakthrough in Northern Ireland.

There is no doubt, however, that Dublin feels Mr Brooke is making a valiant effort to bring the various constitutional parties to the negotiating table.

Details have not been released of the round of "talks about talks" that Mr Brooke has held in the past week – including those in Dublin at the weekend. Discussions are still at an early stage, with negotiations on the agenda and timetable for formal takls still some way off.

One official, aware of the dangers of raising expectations too high, described the atmosphere as of "tightly controlled optimism."

In Belfast yesterday, Mr Brooke met Dr John Alderdice, leader of Northern Ireland's Alliance party, to brief him on progress so far.

Last week in London, he met Unionist leaders for four hours and Mr John Hume, leader of the mainly Roman Catholic Social Democratic and Labour Party.

Mr Brooke's approach has been to win backing for discussions based on the re-examination of all sets of relations involved – including those between Britain and Ireland as well as within the province.

Many of the past anxieties of Unionists, because of their opposition to the 1985 Anglo-Irish Agreement and distrust of the Irish Government, appear to have been overcome.

With Unionist leaders last week saying they were "well satisfied" with the results of their talks with Mr Brooke, it is evident that agreement is possible on the stage at which Dublin is brought into discussions.

UK Government officials are preparing the ground for the next stage in Mr Brooke's strategy.

He is likely to want to make some form of public statement – possibly to the House of Commons – and probably will have further discussions with Dublin.

However, Mr Brooke's tactics are to remain cautious and patient. It could be some weeks before further meetings or announcements are made.

Brooke steps warily in minefield of Ulster, Page 10

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	23	73	Dallas †	S	18	64	Madeira	S	22	72	Prague	F	14	57
Algiers	F	23	73	Dublin	R	14	57	Madrid	S	25	77	Reykjavik	Dr	9	48
Amsterdam	S	17	63	Dubrovnik	F	20	68	Majorca	S	26	79	Rhodes	S	25	77
Athens	S	23	73	Edinburgh	C	15	59	Malaga	S	22	72	Rio de Janeiro		–	–
Bahrain		–	–	Faro	S	27	81	Malta	C	21	70	Rome	S	23	73
Barcelona	S	21	70	Florence		–	–	Manchester	C	18	64	Salzburg	F	13	55
Belfast	C	15	59	Frankfurt	S	17	63	Melbourne	S	12	54	S'Francisco †	C	13	55
Belgrade	S	19	66	Geneva	S	18	64	Mexico City		–	–	Santiago		–	–
Berlin	F	10	50	Gibraltar	S	21	70	Miami †	S	25	77	Seoul	C	23	73
Biarritz	C	18	64	Glasgow	C	15	59	Milan	S	18	64	Singapore	T	27	81
Birmingham	C	20	68	Guernsey	C	17	63	Montreal †	F	8	46	Stockholm	C	15	59
Blackpool	C	15	59	Helsinki	C	11	52	Moscow	C	11	52	Strasbourg	S	18	64
Bombay		–	–	Hong Kong	C	26	79	Munich	C	13	55	Sydney	F	18	64
Bordeaux	S	23	73	Innsbruck	F	13	55	Nairobi		–	–	Tangier	S	25	77
Boulogne	F	18	64	Inverness	C	17	63	Naples	S	23	73	Tel Aviv	S	28	82
Bristol	C	18	64	Isle of Man	R	11	52	Nassau		–	–	Tenerife	S	23	73
Brussels	S	18	64	Istanbul	S	29	84	Newcastle	C	16	61	Tokyo	S	25	77
Buenos Aires		–	–	Jersey	C	19	66	New Delhi	S	38	100	Toronto †	R	11	52
Budapest	F	18	64	Johannesburg	F	15	59	New York †	R	13	55	Tunis	C	22	72
Cairo	S	35	95	Las Palmas	S	25	77	Nice	S	21	70	Valencia	S	27	81
Cape Town	C	18	64	Leeds	C	16	61	Nicosia	S	28	82	Venice	F	18	64
Cardiff	R	16	61	Lisbon	S	27	81	Oporto	S	25	77	Vienna	F	15	59
Chicago †	S	11	52	Locarno	F	16	61	Oslo	S	19	66	Warsaw	R	9	48
Cologne	S	17	63	London	C	18	64	Paris	S	19	66	Washington †	R	12	54
Copenhagen	S	17	63	Los Angeles †	S	14	57	Peking		–	–	Wellington	S	17	63
Corfu	R	19	66	Luxembourg	S	15	59	Perth	S	16	61	Zurich	F	16	61

C–Cloudy. Dr–Drizzle. F–Fair. Fg–Fog. H–Hail. R–Rain. S–Sunny. Sl–Sleet. Sn–Snow. T–Thunder.
† Noon GMT temperatures

MAN-Daimler bid blocked

Continued from Page 1

The two German companies had planned to take joint managerial control of Enasa, which makes trucks and buses under the Pegaso name and has about 6 per cent of the European heavy truck market, against MAN's near 10 per cent. They had beaten off stiff competition from Volvo of Sweden, DAF of the Netherlands, and Iveco, the commercial vehicle subsidiary of Italy's Fiat.

MAN has sought extra capacity for its expanding truck business, which doubled profits last year and was one of its best performing divisions.

UK hit by shortage of air controllers

By Paul Betts, Aerospace Correspondent, in London

THE GROWING COST of upgrading air traffic control services in the UK has sparked a controversy over the prospect of an independent national air traffic control agency splitting from the Civil Aviation Authority (CAA).

The controversy coincides with concern over a serious shortage of air controllers in the UK to cope with fast-growing air traffic.

Airlines have faced a 40 per cent increase in air traffic control charges this year to help pay for significant new investments totalling £600m ($1bn) over 10 years which the CAA is undertaking to improve and modernise British air traffic control.

Some airlines and air traffic users believe an independent air traffic control system could provide a more cost effective service. But senior CAA air traffic control officials argue that hiving off services into a separate body from the CAA risks diverting resources and energy from the current modernisation programme.

One official said yesterday: "An independent agency may seem an attractive idea on the surface, but it is less attractive when you look at it in detail."

The debate on splitting the air traffic control operations from the CAA's other regulatory functions appears to have been sparked by a Monopolies and Mergers Commission (MMC) review of the CAA's operations.

The MMC recommendations are expected to be published in July.

The CAA's investment programme is aimed at increasing capacity in UK air space by 30 per cent by 1996. The programme includes a new £22m air traffic control computer system, as well as the construction of a £200m air traffic control centre in the Southampton area.

However, Mr Christopher Barrows, general manager of the CAA's London air traffic control centre, said the immediate problem was a shortage of controllers.

He said the CAA, which employs 1,300 controllers, was about 150 controllers short.

Ironically, one of the reasons for the current shortage was the recommendation of the last MMC review of the CAA seven years ago when it urged a streamlining and rationalisation of CAA staff. This lead to a virtual freeze in recruitment.

At the same time, air traffic forecasts badly underestimated the growth in air travel and flight frequencies in UK air space, CAA officials acknowledge.

Mr Barrows said the London centre handled 1.25m flights last year and the figure was rising by about 5-6 per cent a year. An additional factor has been the increase in smaller aircraft rather than large, wide-body airliners.

Although the downturn in the holiday charter market could be expected to provide some relief for UK air traffic in the busy summer months, Mr Barrows said the decline had been more than offset by the steady increase in scheduled air services.

As a result, traffic was now heavy throughout the year. "If we handled 3,500 flights a day during the summer peak three years ago, we are now just as likely to handle 3,500 flights a day in January or February," he said.

However, overall improvements in UK air traffic control is also dependent on improvements in air traffic control systems in other European countries.

FINANCIAL TIMES
COMPANIES & MARKETS
© THE FINANCIAL TIMES LIMITED 1990 Wednesday May 30 1990

INSIDE

Tyco and Wormald plan to merge

A US-Australian merger is set to produce the world's largest fire control systems group, with combined sales of about A$3bn (US$2.31bn). Tyco Laboratories of the US will pay US$350m in cash for the core businesses of the Australian group Wormald International. In turn, Wormald will receive a 10.6 per cent stake in Tyco which will make it the US group's largest shareholder. Page 23

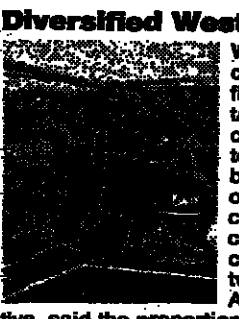
Japanese airlines advance

Japan's two largest airlines have reported healthy profit increases and improved passenger traffic for the year to March. The country's main international carrier, Japan Air Lines, raised profits by 21 per cent. Its rival, All Nippon Airways, which carries 50 per cent more passengers but is strongest on domestic routes, lifted pre-tax profits before special items by nearly 70 per cent. Page 24

Launch of Commonwealth fund

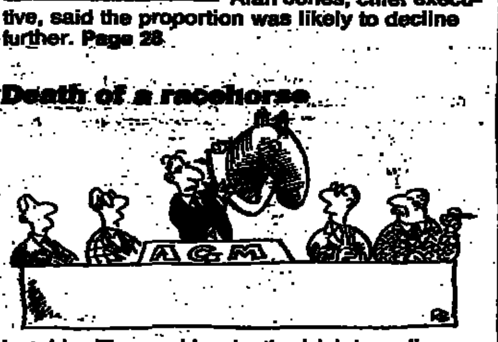
An equity fund of at least $100m created to invest in the emerging stock markets of Commonwealth countries — some of which are otherwise inaccessible to foreign investors — is to be launched today. Although the Commonwealth Equity Fund was created following a proposal from the Commonwealth Secretariat subsequently backed by the group's finance ministers, it is to be operated purely on commercial principles. Page 25

Diversified Westland rises 44%



Westland, the UK helicopter group, has raised first-half profits before tax by almost 44 per cent reflecting its efforts to broaden into new business areas. Turnover slipped by 11 per cent, with sales of helicopters falling 21 per cent to make up just two-thirds of the total. Alan Jones, chief executive, said the proportion was likely to decline further. Page 28

Death of a racehorse



Impshire Thoroughbreds, the Irish breeding and racing concern, suffered an operating loss of I£305,000 ($486,480) for 1989 following the death of a racehorse. Prince of Dance, partly owned by Impshire, died early last season from a tumour on the spine. As a result, Impshire took a paper loss of I£2.29m in writing down the value of its horses. Page 28

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Colonia Versich	1130	+	20
Daimler-Benz	824	+	11
Muench Rueck	2330	+	80
Falls			
Aachener Muench	910	−	17
Hapag Lloyd	480	−	10
Springer Vlg Rg	770	−	10

NEW YORK ($)

Rises			
Adobe Systems	37⅞	+	2⅝
IBM	119¾	+	2⅝
Johnson & Johns	63⅞	+	1¾
Procter & Gamb	80	+	2⅛
Tektronix	15⅜	+	1
Falls			
Merrill Lynch	24	−	¾

PARIS (FFr)

Rises			
CGI Inform	462.8	+	27.3
ELF Gabon	1290	+	61.9
Eurotunnel	53	+	2.1
SGE	269.0	+	12.7
Falls			
BP	935	−	33.7
Bafip	308	−	9.7

TOKYO (Yen)

Rises			
Credit Saison	2600	+	310
Okamoto Machine	1200	+	120
Oriental Photo	2020	+	160
Tsugami	1390	+	110
Falls			
Eisai	1060	−	80
[illegible]	1440	−	150

LONDON (Pence)

Rises			
Albion	53	+	8
Brit Aerospace	539	+	16
Cadbury Schw	347	+	13
Enterprise Oil	825	+	15
Eurotunnel Uts	540	+	22
Filofax	90	+	4
GKN	387	+	10
Goldberg (A)	49	+	9
Greycoat	412	+	11
Land Securities	498	+	13
Lloyds Bank	272	+	8
RMC	677	+	14
Reckitt&Colman	1228	+	22
Redland	599	+	11
Reuters	1181	+	23
Rolfe&Nolan	260	+	12
Royal Ins	463	+	15
Select Appts	89	+	10
Falls			
Fairbriar	34	−	6
Logica	219	−	30
TVS Ent	85	−	5
Tunstall Grp	140	−	50
Wickes	185	−	5

Saatchi expected not to pay dividend

By Alice Rawsthorn in London

SAATCHI & SAATCHI is expected not to pay a dividend to shareholders this year.

The communications company, which has lurched from crisis to crisis in recent months, is struggling to stabilise its financial position and reduce its debts.

It is expected to announce that it is passing its interim dividend when its half-year results are published on Tuesday. Saatchi is also expected not to pay a dividend for the full year.

A decision to omit the dividend would be typical of the management style adopted by Mr Robert Louis-Dreyfus since he became chief executive in January. He appears determined to take speedy action on the difficult decisions needed to rescue the group founded by the Saatchi brothers, Charles and Maurice.

Earlier this month Mr Louis-Dreyfus dismissed two long-standing main board directors, Mr Roy Warman and Mr Terry Bannister. Neither of the Saatchi brothers was present at the meeting when the board voted on the dismissals.

Mr Louis-Dreyfus is working on proposals to restructure Saatchi's advertising and marketing interests. He is considering plans to integrate some specialist marketing companies – such as the sales promotion and design consultancies – into SSAW and BSB, the advertising networks.

Saatchi has been operating in an increasingly competitive climate since the start of its financial year. It has suffered from a severe downturn in advertising expenditure in the UK and Australia, two of its main markets.

Mr Neil Blackley, advertising analyst at James Capel in London, expected Saatchi to announce a fall in pre-tax profits from £20m to £12m ($20.3m) – with a loss per share of 2.4p, against earnings of 1p – in its results for the six months to March 31. The consensus among analysts and institutional investors is that Saatchi will pass its interim dividend and will not pay a dividend for the full year.

Mr Greg Ostroff, advertising analyst at Goldman Sachs in New York, said: "This is a company with serious financial problems. It does not make sense for Saatchi to pay a dividend right now when it should be conserving cash and repairing its balance sheet."

Initially analysts had expected Saatchi to pay a nominal dividend – a token 0.1p – so it could stay on the dividend list and retain trustee status. In recent presentations to institutions, however, Saatchi has stressed the need to use its cash to bring down borrowings, which stand at about £250m.

Mr Louis-Dreyfus said he could not comment on the group's dividend policy. The Saatchi board will decide on the dividend at a meeting on Tuesday morning.

UK clears Ferranti, Thomson venture

By George Graham in Paris and Charles Leadbeater in London

MR NICHOLAS Ridley, the UK trade and industry secretary, yesterday cleared the way for Thomson-CSF, the French state-controlled electronics group, to extend significantly its British defence activities.

Mr Ridley cleared the merger of Thomson-CSF's sonar activities with those of Ferranti International, the UK defence electronics group which is recovering from an alleged £215m ($361m) fraud.

Thomson also unveiled the $100m acquisition of Link-Miles, the UK military and commercial flight simulator specialist. The combination of Link-Miles with Thomson will create one of the three largest flight simulation groups in the world, along with CAE of Canada and Hughes Rediffusion of the US.

The two moves will strengthen Thomson-CSF's presence in the British defence industry, following the formation of its Eurodynamics missiles joint-venture with British Aerospace earlier this year. Thomson-CSF is also in talks with the General Electric Company over the development of the next generation of radar systems.

Thomson-CSF's UK joint ventures are among the first cross-border links between European defence companies as they prepare for cuts in military spending over the next few years.

Plans for the sonar joint venture were announced on February 8, as Ferranti was in the middle of efforts to shore up its balance sheet after the discovery of the fraud at its International Signal and Control subsidiary.

The deal was then referred to Sir Gordon Borrie, the director general of the Office of Fair Trading, who advised Mr Ridley it should be cleared.

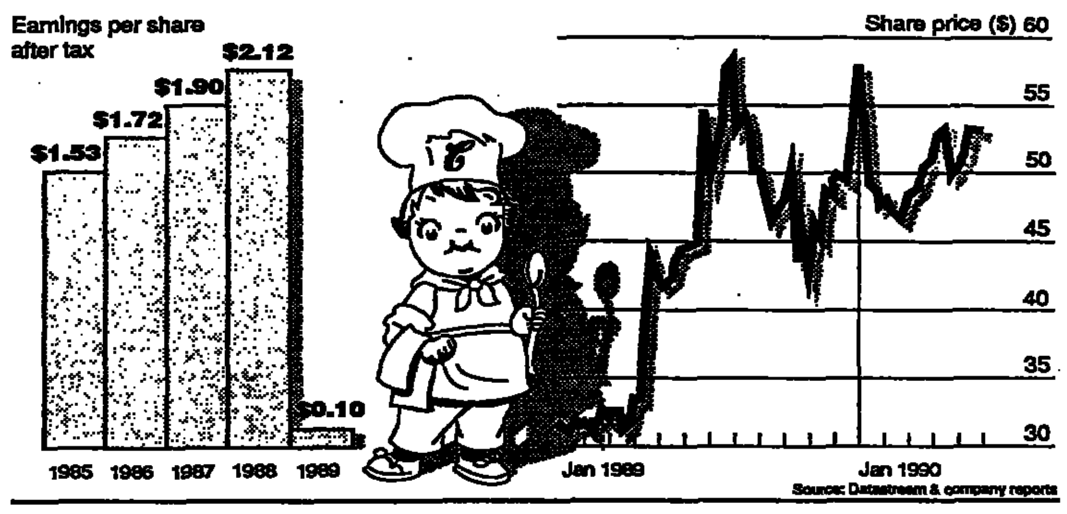
Thomson-CSF will pay £32m for a 50 per cent stake in a new company called Ferranti-Thomson Sonar Systems UK. The venture, which will have about 40 per cent of the UK market, emerged from collaboration between the two companies on three large sonar contracts, two in the UK and one in France.

Ferranti, which has been seeking a European sonar partner for some time, said Thomson's international sales and marketing operation would significantly strengthen the business.

Thomson's stake will be held by its submarine electronics subsidiary, Sintra. Ferranti-Thomson Sonar will be jointly managed with a chief executive from Ferranti International.

Condensing the formula for Campbell

Clay Harris and Martin Dickson on the shake-up at the US food group



MR DAVID Johnson is in a hurry, and well he might be. As the new chief executive of Campbell Soup, he is stuck in the middle of a feud between members of the company's founding family – a battle which has produced a swirl of takeover speculation.

Thus, it is hardly surprising that since his appointment in January, Mr Johnson has moved rapidly to improve the lacklustre earnings record of the world's largest soup maker.

The latest upheaval came last Friday. Campbell said it would be putting up for sale businesses accounting for one-fifth of its $1bn European turnover, including several subsidiaries acquired only two years ago when it took over Britain's Freshbake Foods, the frozen foods manufacturer. The move is expected to mean a $55m write-off.

Mr Johnson is an Australian with a reputation for turning round troubled food and consumer products companies. He cut Campbell's headquarters staff by almost 19 per cent earlier this month. The move, he said, was part of a "dramatic culture change" that would emphasise profits rather than sales.

The European shake-up should do the same. Many of the businesses being sold are low-margin commodity products, such as frozen vegetables. Another is D. Lazzaroni – an up-market Italian biscuit maker best known for its Amaretti di Saronno brand – which is losing money.

But the cuts do not mean that Campbell is abandoning Europe. Mr Edward Glover, president of Campbell Foods in the region, says: "We see our future in Europe as being a medium-sized multinational that concentrates in niche categories or in leveraging the parent company's technology from the US. We will seek to avoid going head-to-head with BSN, Nestlé and Unilever. We think there's plenty of room."

Campbell intends to concentrate on markets where it is – or can organically grow to be – first or second in its chosen sectors. "Contrary to what other people think, I believe it is totally viable to be a regional producer and marketer of packaged consumer goods in Europe," argues Mr Glover.

After the disposals, Campbell's core areas will be soup and frozen convenience foods in the UK, and biscuits in northern continental Europe. It will remain in certain "opportunistic" markets – gourmet-food distribution in West Germany, frozen vegetables in the Netherlands, sauces and condiments in Belgium and confectionery in France and Belgium.

What surprised some analysts was the decision to keep any of Freshbake Foods, which Campbell bought for £109m ($183m) in 1988. It is selling the UK frozen vegetable and seafood companies, as well as two vegetable businesses in Ireland, but not the core operation – meat pies, sausage rolls and prepared dinners.

Freshbake was bought for 24 times historic earnings, a price widely seen as generous. Campbell believed it was worth paying, to grab market share. Last year, however, earnings were hit by two unforeseen factors.

The main one was the merger of Iceland Frozen Foods and Bejam, and the waning importance in the UK retail sector of such stores selling freezer goods, which were important customers. The other factor was a rise in sausage prices, which Campbell was unable to recoup swiftly enough in its own prices.

These developments spurred Campbell to speed its UK rationalisation. It has cut UK manufacturing sites from eight to four, consolidated seven cold storage facilities into two and slimmed its product range from 700 to 355. It is also introducing more products – such as frozen light quiche – under the Campbell name. Unlike those sold under the Freshbake name, these are priced above stores' own-label brands.

Campbell had been willing to keep the seafood and vegetable operations – volatile businesses which require entrepreneurial management – as long as things went well, but now they do not look worth the trouble.

Similar arguments apply to Lazzaroni. Campbell is number one in biscuits in Belgium, jostles for second in France, and is a strong second in the assortments sub-category in West Germany. Lazzaroni is just too far away from these centres of strength to fit into the strategy.

Although Europe in recent years has acted as a drag on Campbell's earnings, Mr Glover wants to prove to Wall Street that it "provides a dynamic outlet for future growth."

"Culturally, we need to focus more on organic growth to put the focus back on the brands which are the major assets," he adds. "We need to go through a consolidation period."

Wall Street analysts welcomed the disposal plan. Ms Nomi Ghez of Goldman Sachs said it was an important strategic decision showing the management focusing on what they thought were the company's strengths. "It shows they are committed to remain in Europe and think it important enough to keep a bridgehead there."

But keeping shareholders happy will also require a great deal of work in the domestic US market, where Campbell began in the 19th century as a condensed soup manufacturer. The product was invented by J.T. Dorrance, the company's founder, in the late 1890s.

Campbell has been losing market share in this area for years. While the company has introduced new products, and won many awards for advertising, many of its innovations have not been popular with consumers.

With this patchy record, the company has been the subject of takeover rumours. Quaker Oats, the US foods group, was said to be interested last year.

The company's performance and the possibility of a takeover have pitted the surviving members of the Dorrance clan against one another.

Together, they speak for about 59 per cent of the shares. One party – including John T. Dorrance III, a reclusive rancher – holds 31.5 per cent of the stock and wants to keep the group independent. But others, unhappy with the earnings record, would be more amenable to a bid. Their pressure is thought to have played a role last year in the departure of the previous chief executive, Mr Gordon McGovern.

So Mr Johnson has to get quick results. "His first priority," says William Leach, an analyst at Donaldson Lufkin & Jenrette, "is to get earnings up so the family is happy. He can think about the next century later."

Co op chairman resigns amid split with main shareholders

By Katharine Campbell in Frankfurt

Mr HANS Friderichs, chairman of the supervisory board of the troubled Co op retailing group, resigned late on Monday evening after disagreeing over strategy with the principal shareholders.

Two other supervisory board members, Mr Walter Birkhan and Mr Wolfgang Freiherr von Pölnitz, also stepped down.

Mr Friderichs joined Co op at the end of 1988 to rescue the retailing chain which had collapsed amid heavy losses. He had wanted to keep the company intact, but now it looks likely to be partly broken up.

The main shareholders, Deutsche Genossenschaftsbank (DG Bank) and the Bank für Gemeinwirtschaft, want to reduce their exposure to the loss-making group. Their hopes were somewhat dampened last year when other shareholders failed to take up rights in an offering last year.

Meanwhile, an offer by Rewe, West Germany's largest food retailing group, to purchase 550 of Co op's 1,900 outlets was being actively considered, said Mr Helmut Guthardt, chief executive of DG Bank.

He described Co op as too small to be able to compete effectively. He also said that a rival bid for a majority stake in Co op by a consortium involving Metro, the Swiss-German chain, Asko, the West German concern, and Lonrho, the UK conglomerate, had been withdrawn.

While Rewe had never proposed to take an equity stake in Co op, the company originally said it would acquire the entire chain of stores, and sell those in areas where it was already well represented.

When that offer was refused, Rewe came back with plans to purchase about 550 stores in the Munich and Stuttgart areas as well as in West Berlin. Rewe declined to say how much the offer was worth.

Co op said talks were also progressing with an East German bidder. The East German Verband der Konsumgenossenschaften (Association of Consumer Co-operatives), responding to an approach by Mr Friderichs, has expressed interest in all of Co op's shops and storage centres.

The East German group, last year had sales worth East German Marks 40bn ($24bn).

DG Bank accounts, Page 22

Perrier sells soft drinks division

By William Dawkins in Paris and Nikki Tait in London

SOURCE Perrier, the French mineral water and cheese group, yesterday concluded a long-awaited agreement to sell most of its soft drinks division to Cadbury Schweppes, the UK confectionery and drinks company.

Cadbury is to pay £125m ($211m) for the division which, added to its existing sales, gives the UK group 16 per cent of the French soft drinks market, about the same as Pernod Ricard, but well behind Coca-Cola's 27 per cent.

The deal includes Oasis, the biggest selling French brand of still fruit drinks, making Cadbury the European market leader in that sector. It also includes Bali, a small still drink brand; Atoll, a fruit drink concentrate and the French bottling rights for Gini, a sparkling lemonade. Cadbury acquired the Gini brand itself as part of its purchase of Crush International last autumn.

Perrier had been looking for a buyer since last September, on the grounds that it wanted to concentrate on its core activities, sparkling mineral water and Roquefort cheese, of which it is France's main producer.

But negotiations were complicated when Pepsi-Cola, which had shown interest in taking the soft drinks division, announced last autumn that it would end the French company's 27-year-old franchise agreement.

Cadbury will pay three-quarters of the price – from its borrowings – in cash on completion, expected at the end of the month, with the rest due in mid-December. Perrier will be taking FFr1bn ($175.5m) of the FFr1.2bn sales price as a profit in this year's accounts, which broadly represents the surplus over the net tangible asset value of FFr290m. The businesses being sold had a combined turnover of FFr872m last year, out of the FFr1.1bn turnover of the soft drinks division, and Perrier's group sales of FFr17.19bn.

Cadbury said that some rationalisation and redeployment of resources was likely in the wake of the acquisition, but it was too early to say how the newly-acquired brands might be marketed elsewhere in Europe. At present, only about 6 per cent of sales volume goes outside the domestic market. Perrier will be keeping its Pepsi-Cola franchise, plus Pschitt, a sparkling citrus brand and the rights to Mambo, a currently unused brand, said a Perrier official.

The deal had no link with last February's discovery of traces of benzene in Perrier water. The FFr435m clean-up cost contributed to the French group's plunge in net profits for last year to FFr266m from FFr1.03bn in 1988.

DHL signs deal with Lufthansa and JAL

By Lucy Kellaway in Brussels and Robert Thomson in Tokyo

DHL International, the courier company, yesterday signed a deal allowing Lufthansa of West Germany, Japan Air Lines and Nissho Iwai, a Japanese trading company, to build up a 57.5 per cent stake in the business over a period of 18 months.

The deal, believed to be worth around $500m, will give DHL greater flexibility in meeting growing demand for door-to-door air delivery. It will protect the carriers as profitable air freight business is increasingly handled by specialised courier companies.

Mr Patrick Lupo, DHL's Brussels-based chief executive, said the new shareholders would change neither the management nor the company's priorities, but would help it to expand its air, hub and gateway operations.

The link with the carriers would allow DHL to use their long-haul flights and handling facilities, although he said that DHL would continue to use all its existing carriers.

JAL said the partnership would not change significantly the division of labour between the airlines and courier company: "JAL and Lufthansa have conventionally focused their cargo operations on airport-to-airport transport, while DHL has handled transport needs from the airports on."

The deal was prompted by the need for "global-scale innovation in the distribution sector."

The airline is keen to broaden its role in Europe and to diversify its cargo operations. Lufthansa, JAL, Air France and Cathay Pacific plan to set up an international cargo information network.

JAL and Lufthansa will each buy a 5 per cent interest in DHL and Middlestown, a related holding company, and Nissho Iwai will acquire 2.5 per cent. Within 18 months they will have the option to increase the stakes to 25 per cent for JAL and Lufthansa and 7.5 per cent for Nissho Iwai.

DHL expects group turnover of $1.8bn this year.

JAL results, Page 32

DG Bank does little to alter its tarnished image

By Katharine Campbell

MR HELMUT Guthardt, chief executive of Deutsche Genossenschaftsbank, presenting the 1989 accounts yesterday, maintained that no special measures were necessary to restore the bank's position after the latest significant blow to the bank's and his credibility.

However, he did little to dispel the impression of an embattled institution. DG Bank, the umbrella institution for West Germany's co-operative banks, and now the country's fourth largest bank, has recently been the subject of a special investigation by the banking supervisory authorities.

This was prompted by a dispute that erupted in February between DG and nine French banks over the nature of a series of bond transactions with a nominal value of DM6bn ($3.5bn).

Yesterday Mr Guthardt said that for 1989, provisions of DM346m had been necessary relating to the bond deals where DG was disputing the French claim that it had agreed to buy them back.

If interest rates remained at current levels, a further DM300m would have to be put aside this year, Mr Guthardt said. The bank had put a lower figure on the write-downs in March, partly because related transactions between the parent and a building society subsidiary, nominally worth DM1.2bn, had not then been included.

While the authorities' report pointed to significant management weaknesses within the bank, sufficient to warrant a vote of confidence in Mr Guthardt at the last meeting of the supervisory board, the bank's chief executive yesterday was reluctant to expand on details of any new control procedures.

DG has maintained it was the victim of fraud, and the controls were essentially in place. Four of its domestic bond traders have been arrested, and are currently under investigation by the district attorney's office.

However, Mr Guthardt hinted that, in addition to certain stricter reporting procedures the bank would consider taping all telephone conversations made by its securities traders – a practice observed almost without exception in international bank dealing rooms.

Meanwhile, high interest rates have taken their toll on the banks earnings. Group operating profits dropped 30 per cent drop in the first four months of 1990, as partial operating profits, which exclude trading on the bank's own account, fell "somewhat more than 30 per cent" in the period to April.

Both figures are adjusted to exclude contributions from sizable acquisitions consolidated recently. Unless interest rates fall, Mr Guthardt said he did not see room for an improvement for the full year.

The bank is also under pressure to reduce its involvement with the troubled Co op group, in which it, with BfG Bank, owns most of the shares.

Holderbank net earnings climb 21.4%

By William Dullforce in Geneva

HOLDERBANK, the world's leading cement producing group with headquarters in Switzerland, announced yesterday a 21.4 per cent climb in consolidated net earnings to SFr428.9m ($302m) in 1989. Group sales, realised in 26 countries, advanced by 24 per cent to SFr4.97bn.

Holderbank Financière Glaris, the parent company, posted a 15.2 per cent increase to SFr75.1m in net profit. Its board proposes to raise shareholders' dividends from SFr115 to SFr125 per bearer share, from SFr23 to SFr25 per registered share and from SFr11.50 to SFr12,50 per participation certificate.

Consolidated cash flow grew by 10.6 per cent to SFr951m, with most of the profit growth generated in Europe. In the US one unit, Ideal Basic Industries in Denver, continued to run at a loss, but Holderbank completed a reorganisation of its North American interests in March. Under the reorganisation, Ideal Basic was merged with Holman Inc, the US holding company.

The Swiss group's capital spending more than doubled last year, totalling SFr971m against SFr416m in 1989. Investment in fixed assets reached SFr567m, while spending on acquisitions included the takeover of HAT Hormigones, Aridos y Transportes in Spain and Ciments de Champagnole in France.

Of the SFr966m increase in turnover, SFr391m is attributed to higher sales by the original group, SFr325m to new acquisitions and SFr250m to exchange rate fluctuations.

Ferruzzi group down sharply to L311bn

By John Wyles in Rome

MR RAUL GARDINI'S Ferruzzi group yesterday reported a L250bn ($202.4m) fall in consolidated net profits after minority interests to L311bn on sales of L16,250bn, 11 per cent higher than in 1988.

The company said the decline was largely due to extraordinary factors, including L159bn of losses from trading activities and higher tax payments of around L260bn.

The group's gross operating margin fell by 11 per cent to L1,974bn because of a fall in the chemical business' profitability, which was not fully compensated by improvements in agri-industry, engineering, construction and services.

Net indebtedenss fell by 18 per cent to L8.077bn to yield a debt/equity ratio of 0.87.

NEWS IN BRIEF

Electrolux seeks US vacuum unit

ELECTROLUX, the world's leading white goods manufacturer, has made a bid valued at around SKr500m ($82m) to buy the vacuum cleaner operations of Whirlpool of the US, writes Robert Taylor.

Whirlpool makes about 1m vacuum cleaners a year with an annual turnover of between $100m to $150m. Its sales, made through Sears Roebuck under the store brand name Kenmore, account for 10 per cent of the American market.

Mr Anders Scharp, president and chief executive officer at Electrolux indicated in February he was interested in acquiring the Whirlpool operation.

Whirlpool is the third largest vacuum cleaner manufacturer in the US after Hoover and Electrolux, through its US subsidiary Eureka.

If the bid is successful it will ensure Electrolux becomes as strong as Hoover in the US vacuum cleaner market. But yesterday the Swedish company warned there were others interested in the Whirlpool business.

Ciments Français expands in Belgium

CIMENTS Français, the second largest French cement group, is to take a controlling 23.5 per cent stake in Compagnie des Ciments Belges (CCB), a Belgian cement producer, writes George Graham.

The French group, which has been expanding rapidly in recent months with acquisitions in Spain, Turkey and Morocco, will buy the stake of the Plaquet family and take over management control. It is ready to negotiate to buy out other minority shareholders.

CCB has a new works at Gaurain, near Tournai, begun in 1987 and completed this year. The company sold 1.1m tonnes of cement last year in Belgium and the Netherlands, but its capacity is 3m tonnes. It had cashflow of FFr250m ($44m) on sales of FFr900m last year.

Ciments Français believes it will be able to expand sales up to the full 3m-tonne capacity, which CCB would have found difficult to achieve on its own.

ABB pre-tax earnings up 25% in first quarter

By William Dullforce in Geneva

ASEA BROWN Boveri, Europe's biggest electrical engineering group, yesterday posted first-quarter pre-tax earnings of $215m, showing an advance of 25 per cent compared with the first three months of 1989.

Group sales at $6.1bn were ahead by 39 per cent, boosted by the consolidation from January 1 of Combustion Engineering, the US company for which ABB paid $1.58bn last November. Excluding acquisitions, disinvestments and exchange rate fluctuations, sales grew by 9 per cent.

Addition of a $24m gain under non-recurring items – arising principally from the sale of a transformer plant in Wisconsin at the behest of the US anti-trust authorities – takes the pre-tax profit to $239m, up by 46.6 per cent over the corresponding figure for the first quarter of 1989.

Group operating earnings after depreciation climbed by 45.4 per cent to $333m. Good profit growth is signalled in the power transmission, power distribution and financial services business segments. Combustion Engineering's contribution to the advance in operating profit could not be ascertained because its accounts are already being broken down according to ABB's business segments.

But, ABB in Zurich said that after interest payments on the loans raised to help pay for Combustion Engineering the US company would have made a negative contribution to the $215m pre-tax group profit. Net interest charges in the first quarter were $60m against $6m in the same period last year.

Interest expenses should be trimmed later this year. ABB has arranged to sell two Combustion Engineering subsidiaries which do not fit into its core businesses and is negotiting the sale of a third. Prices of $520m for Georgia Kaolin and $150m for C-E Minerals have been agreed but were not booked in the first quarter.

Orders received by ABB during the January-March period totalled $7.6bn, an increase of 42 per cent against the same period last year. Purged of acquisitions, disinvestments and currency fluctuations, the growth in incoming orders was about 14 per cent.

ABB repeated its earlier forecast that 1990 pre-tax earnings would be higher than those of 1989.

High costs hit Svenska

By Robert Taylor in Stockholm

SVENSKA Cellulosa (SCA), the Swedish pulp and paper company, yesterday reported a 9 per cent drop in profits after financial items from SKr1.05bn ($171m) to SKr957m for the first four months of 1990. It blamed high costs and weak price trends for the deterioration.

SCA said it upheld its earlier forecast of a decline in net profits for the whole of 1990 of around 10 per cent.

However, Mr Sverker Martin-Lof, chief executive, pointed out that the results so far this year were 7 per cent better than for the final four months of 1989.

Net sales rose by 7 per cent over the January-April period to SKr8.66bn from SKr8.06bn.

SCA blamed high Swedish costs for a 36 per cent fall in profits to SKr198m from SKr309m in its graphic paper group over the first four months.

Profits also fell 5 per cent from SKr231m to SKr220m in the hygiene paper sector with intensified competition in the disposable nappy sector and a 3 per cent fall in profits in packaging to SKr207m from SKr214m.

By contrast SCA reported a 3 per cent rise in profits in its forest and timber sector to SKr172m from SKr167m and in its energy business area of 18 per cent to SKr204m from SKr173m.

Shares in Astra leap as drug gets go-ahead

By Robert Taylor in Stockholm

SHARES in Astra, the Swedish pharmaceuticals company, have jumped sharply this week following a decision by an advisory committee of the US Food and Drug Administration to give a clean bill of health for the short-term use of Losec, its new drug in the treatment of acute duodenal ulcers.

The go-ahead from the FDA for the wider use of Losec has come much earlier than expected and represents a serious blow to Glaxo, Astra's main rival with its Zantac drug, which has been raising questions about Losec's safety.

Over the past six months Astra's share price has doubled. Since the beginning of May the price of the A shares rose 35 per cent and B shares by as much as 47 per cent.

The FDA decision brought a 10 per cent jump in Astra's share price on Monday with a rise of SKr50 a share to SKr590 for A free shares and to SKr596 for B free shares and a SKr34 jump in the price of A restricted shares to SKr535.

Yesterday there were modest increases of SKr4 and SKr3 respectively for Astra's A and B free shares and a slight fall of Skr3 in the value of A restricted shares. Astra now has a market value of SKr50.1bn ($8.2bn), ahead of other currently successful Swedish companies Ericsson and Asea Brown-Boveri.

Losec has already achieved an impressive growth since it was launched onto the market in 1988, but it is last Friday's news from Washington that has boosted the drug's market position. Initially the Food and Drug Administration authorised that Losec should be limited in use in the US to the treatment of relatively rare disorders caused by gastrointestinal acid.

The advisory committee of the FDA said they now agreed with the company that Losec was not associated with any cancer risk after being reassured by new data supplied by the company. Losec is sold in the US by Merck, the world's largest pharmaceutical company, under a 1982 agreement with Astra.

INTERNATIONAL COMPANIES AND FINANCE

Bank of Nova Scotia 8% down at halfway stage

By Robert Gibbens in Montreal

BANK of Nova Scotia, Canada's fourth largest chartered bank, reports a 10 per cent dip in earnings for the second quarter and an 8 per cent decline for the first half ended April 30.

High interest rates, a slowing economy and higher provisions have led to disappointing results from the Canadian banks generally in the first half, analysts say. Some banks are still digesting special provisions made in the final quarter of fiscal 1989. Also some banks, including BNS, have relatively high exposure to US takeover and real estate loans.

BNS, in a preliminary statement, said net profit was C$281m (US$238m) for the six months or C$1.32 a share, down from C$306m or C$1.58 a share a year earlier. Return on equity slipped to 16.76 per cent from 19.9 per cent and return on assets to 0.69 per cent from 0.81 per cent.

The bank said sharply higher domestic interest rates and the high Canadian dollar squeezed interest margins.

Second-quarter net income was C$133m or 61 cents a share, down from C$147m or 80 cents a year earlier.

Sovereign risk provisions covered 67.5 per cent of exposure at April 30. Non-performing loans, net of provisions, were C$625m, up C$64m from the previous quarter, and equalled 1 per cent of total loans and acceptances.

First-half net interest income dipped 2.7 per cent while other income was up 3.5 per cent. Non-interest expense rose 6.9 per cent, reflecting branch expansion.

Total assets at April 30 were C$83.4bn, up 9.6 per cent from a year earlier. Tier 1 capital ratio was 4.70 per cent, up from 4.32 per cent, and exceeding the 1992 international guideline.

Tyco Laboratories and Wormald agree to merge

By Kevin Brown in Sydney and Andrew Hill in London

TYCO LABORATORIES of the US and Wormald International of Australia yesterday announced plans for a merger which will create the world's largest fire control systems group, with combined sales of around A$3bn (US$2.54bn).

Mr Bob Mansfield, chief executive of Wormald, said the merger was "a perfect fit" with Tyco, which made an unsuccessful attempt to acquire control of Wormald two years ago.

"They have the strongest fire protection business in the US and were going to defend it to the hilt; we had the strongest business in Australasia and Europe and we were going to defend that to the hilt," Mr Mansfield said.

"They said: 'Why don't we look at putting the operations together?' The sheer logic of it was irresistible."

Wormald will become a listed shell after the deal, but the company is retaining its Australian Optical Fibres subsidiary and a 14.6 per cent stake in Holmes Protection Group, the troubled US security company which has a listing on the International Stock Exchange in London.

The two assets are worth approximately A$17m, equal to Wormald's debt.

The company will receive US$350m cash for its core businesses, in addition to a 10.6 per cent shareholding in Tyco, making it the group's largest shareholder.

Wormald will also receive 5m options, exercisable within five years at US$70, which would take its stake to 19.3 per cent. However, Wormald would have to raise fresh capital to exercise the options.

The cash raised from the merger will be used for a capital repayment to shareholders of between A$1.80 and A$2 per share.

The deal follows a three-year restructuring programme during which Wormald has recovered from losses of A$348m in 1987-88 to profits of A$23m in the first six months of its current financial year.

Mr Mansfield said the deal valued Wormald's core businesses at A$850m, representing a profit of A$510m over book value, and a significant premium over market capitalisation before the merger announcement of around A$650m.

The deal leaves a question over the future of Wormald's 25 per cent stake in the Australian Submarine Consortium, an international joint venture which is building six submarines for the Australian Navy for A$2.6bn.

The ASC stake is excluded from the Tyco deal, and the group would only say last night that its future would be resolved next week.

Wormald's partners in the ASC are Kockums of Sweden, the Australian Industrial Development Corporation, and Chicago Bridge and Iron of the US.

The joint venture partners and the Australian federal government have a veto over the disposal of the stake.

The merger proposal is also subject to regulatory and shareholder approval.

● Holmes Protection announced yesterday in London that the 5.52 per cent stake in the company which apparently changed hands two weeks ago was a transfer between two nominee accounts controlled by Fidelity Special Situations Trust.

Tektronix to axe 10% of workforce

By Louise Kehoe in San Francisco

TEKTRONIX, the US electronic equipment manufacturer, has announced a large-scale restructuring and workforce reduction that will result in a one-time charge of approximately $70m in its fourth fiscal quarter, which ended on May 26 1990.

About 1,300 employees, or 9 per cent of the company's workforce will be laid off, Tektronix said. The company has already laid off about 800 workers over the past year and closed a plant on Guernsey in the Channel Islands.

The announcement follows top management changes at Tektronix including the resignation, last month, of the company's president.

Tektronix's problems reflect shrinking sales of its electronic test and measurement products, which represent more than half of its revenues. In the third quarter ending in March, sales of test and measurement equipment were down 12 per cent.

Tektronix said that it was "actively exploring the possibility of partnerships to enhance the market positions and performance" of its Visual Systems products which include colour printers and computer graphics terminals.

The company also said that it had ended discussions with Sony regarding the possible sale of its Grass Valley Group advanced television technology subsidiary, and affirmed its commitment to that business.

For the third quarter, ending March 3, Tektronix reported losses of $25.5m, compared to net earnings of $6.4m in the same period last year. Revenues were $421.8m, down three per cent.

Harcourt Brace names new chief

By Alan Friedman in New York

HARCOURT BRACE Jovanovich, the financially troubled US publishing group, yesterday named a new chairman to succeed Mr William Jovanovich, the 70-year-old patriarch who has presided over the company's rise in past decades as well as its more recent decline.

The new chairman is Mr John Herrington, a former Secretary of Energy who has been on the company's board of directors only one year. Mr Peter Appert, an analyst at C.J. Lawrence, said Mr Herrington would have a challenging job and said the issue at Harcourt is "whether they can generate the funds needed to keep them in business."

Analysts generally said the appointment of Mr Herrington was less important than the likely managerial performance of Mr Peter Jovanovich, the retiring chairman's son who serves as chief executive of the debt-laden Florida business.

Little is known about the younger Mr Jovanovich, who declined to return calls yesterday. But the company has more than $1.6bn of debts and suffered a $78.3m loss in the first three months of this year, following a $242.2m loss from continuing operations in 1989.

Mr Kendrick Noble, an analyst at Paine Webber in New York, said the retiring chairman had been trying to rebuild the elementary school side of the textbook business, which suffered lower sales last year.

Mr Noble described Harcourt Brace's prospects as risky: "I think there is a possibility of bankruptcy, but not until 1993 when the interest load will increase dramatically as they begin to pay interest on preferred stock and junk bonds."

Aerolineas Argentinas privatisation postponed

By Garry Mead in Buenos Aires

MR ROBERTO Dromi, Argentina's Minister of Public Works who is responsible for the country's privatisation programme, has postponed for one month the sale of Aerolineas Argentinas, the state-run airline.

An initial "pre-qualifying" round of bids from interested companies was due to be closed on May 31, but that has now been postponed until June 29, following a request for more time from Chase Manhattan, the US bank.

Four airlines have indicated interest in buying the 85 per cent of Aerolineas to be sold. Varig, the Brazilian company (partnered by Chase Manhattan), Alitalia (with Citibank), American Airlines, and Cielos del Sur, the Argentine conglomerate which owns the domestic Argentine carrier Austral, may now be joined by a fifth, as yet unnamed bidder.

Speculation locally is that Swissair, or Iberia, the Spanish airline, may now step into the ring. Swissair already has a stake in Buenos Aires Catering, which provides on-board meals for Aerolineas and other airlines at Buenos Aires international airport.

Mr Dromi turned down a similar request to extend the closing date for bids for the telecommunications company ENTel. The successful bidders for the 60 per cent of ENTel on sale are therefore expected to be announced on schedule, on June 28.

IBJ shuffles board ahead of turf wars

By Ian Rodger in Tokyo

INDUSTRIAL BANK of Japan (IBJ), one of Japan's largest and best known financial institutions, has shuffled its top executives in preparation for a round of turf wars expected in the Japanese financial industry in the near future.

Mr Yoh Kurosawa, deputy president since 1984 and an outspoken expert on Latin American debt problems, is to become president, succeeding Mr Kaneo Nakamura, who will become chairman.

Mr Kisaburo Ikeura, the present chairman, will remain on the board as an adviser, and Mr Hideo Ishihara, managing director, becomes deputy president.

IBJ is the largest of Japan's three long-term credit banks and has the broadest range of clients throughout Japanese industry. It also has a large presence abroad, particularly in the Euromarkets through IBJ International, its London subsidiary.

Althoug Tokyo bankers were not expecting a shuffle at IBJ until next year, Mr Nakamura said the board decided to get ready for structural changes in Japan's financial system.

Securities and banking sectors are now segregated by law, as in the US, and banking itself is divided into trust bank, wholesale and retail groups.

Negotiations aimed at breaking down these barriers are reaching an advanced stage.

Japan building groups up strongly

JAPAN'S leading construction contractors have reported huge increases in profits, as the effects of the boom in domestic private sector capital spending continue to expand, writes Ian Rodger.

Ohbayashi, the company which bought the former headquarters of the Financial Times in London, said building construction revenue jumped 29.6 per cent to Y848.2bn ($5.7bn), while revenues from civil engineering grew 15.3 per cent to Y261bn.

The company has raised its annual dividend from Y6 per share to Y7 per share and is forecasting a further Y1 per share rise for the current year. Pre-tax profits are also expected to grow substantially this year, up 28 per cent to Y65bn.

Kajima said construction division revenues rose 14 per cent, reflecting brisk demand for office buildings. Urban redevelopment revenue rose 20 per cent, but civil engineering sales fell 13 per cent. Pre-tax profit this year is expected to rise 12.4 per cent to Y90bn.

At Kumagai Gumi, sales and profits were substantially ahead of the previous 12-month period, but no specific comparisons were made because of a change in year-end. The company is projecting a 4 per cent rise in pre-tax profits in the current year to Y43bn.

It said it anticipated little negative impact from its disqualification as a tunnel builder following an incident in January in which a railway tunnel it was constructing in Tokyo collapsed.

● Recruit Cosmos, the property company at the centre of Japan's Recruit political scandal, yesterday reported a pre-tax profit of Y17.59bn ($117.5m) for the 11 months to March, compared with Y18bn for the previous full year, Robert Thomson adds.

Sales rose 11.6 per cent to Y391bn, with sales of condominiums still strong, although government pressure on real estate speculation generally has flattened the margins on the land portion of developments, and higher interest rates have hurt earnings.

Recruit, listed on the over-the-counter market, is part of the Recruit group, whose executives have been indicted on charges of having attempted to bribe politicians and business leaders with offers of low-priced, pre-listed stock in the real estate company.

The company expects sales this year of Y430bn, and a pre-tax profit of Y21bn.

JAPANESE CONSTRUCTION COMPANIES
Parent company results, year to March 1990

	Revenue Ybn	%	Pre-tax profit Ybn	%	Net profit Ybn	%
Kajima	1,419.8	+14	72.2	45	28.1	+39
Shimizu	1,476.6	+17	81.6	+104	25.9	+74
Taisei	1,406.0	+10	56.7	+33	23.0	+78
Kumagai*	1,100.2	–	41.1	–	14.9	–
Ohbayashi	1,151.9	+21	50.5	+53	22.5	+103

*Year-end changed

Airlines cautious in spite of sharp rises

By Clay Harris in Tokyo

JAPAN AIR Lines and All Nippon Airways, the country's two largest airlines, yesterday reported healthy increases in pre-tax profits and passenger traffic for the year to March. However, they forecast smaller advances for the current 12 months.

JAL, Japan's main international carrier, achieved pre-tax profits of Y52.7bn ($352m), a 20.8 per cent increase over the 1988-89 result. It said it expected intensified competition in the current year, especially in the Asia-Pacific region.

Mr Susumu Yamagi will step down as JAL's president on June 28 to become vice chairman, concentrating on external affairs in Japan and overseas. He will be succeeded by Mr Matsuo Toshimitsu.

ANA, which carries 50 per cent more passengers than its rival but is strongest on domestic routes, lifted pre-tax profits before special items by 69.5 per cent to Y31.6bn.

Sales at JAL topped Y1,000bn for the first time, ending 13.3 per cent higher at Y1,060bn. Because of a Y5.12bn long-term tax provision, net income fell by 4.4 per cent to Y16.57bn, or Y106.75 per share. Dividends were unchanged at Y50.

ANA increased its dividend to Y5 from Y4 on net income that more than doubled to Y15bn or Y10.53bn per share.

It carried 30.47m passengers, a 10.7 per cent increase. The number carried by JAL rose by 13.3 per cent to 21.71m.

JAL's average load factor, the proportion of seats filled, rose by 1.2 points to 74.3 per cent, the highest since privatisation. ANA saw a 25.6 per cent surge in international passengers carried as it expanded its network, but the load factor on those routes slipped to 72.4 per cent. Within Japan, it rose 5 points to 68.8 per cent.

● Japan Air System, formerly Toa Domestic Airlines, nearly doubled pre-tax profits to Y6.54bn ($43.7m) on revenues of Y215.9bn. Net income rose by 42 per cent to Y2.22bn, or Y107.48 per share.

● Yamato Transport, Japan's leading parcel delivery company, showed an earnings setback in its March year which, it said, reflected a rise in personnel and other costs, Our Financial Staff writes.

Group net profits were Y4.07bn, down from Y5.35bn, drawn from a parent company pre-tax result of Y8.56bn against Y10.39bn. Worldwide revenues rose 17.6 per cent to Y400bn.

Skin care sales boost Shiseido

By Clay Harris

STRONG SALES of anti-ageing skin care products helped Shiseido, Japan's largest cosmetics group, to achieve pre-tax profits of Y34.52bn ($230.6m) on sales of Y456.35bn in the year to March.

Pre-tax margins improved to 7.56 per cent from 7.25 per cent in the previous four-month accounting period when Shiseido changed its year-end to coincide with those of most other Japanese companies. Other comparisons were thus not meaningful.

At the parent company level, Shiseido reported pre-tax profits of Y27.71bn on turnover of Y326.23bn. Net income was Y10.78bn, or 38.07 per share, on which dividends of Y11 are paid.

The results were the first to include Dublin Industries, a New Jersey-based cosmetics manufacturer Shiseido bought in August.

Shiseido forecast an unchanged dividend for the current year, even though it expects consolidated pre-tax profits to rise to Y38bn on sales of Y500bn, and estimates parent company net income of Y14bn.

Fanuc lifts profits by 38.8%

By Our Financial Staff

FANUC, the prominent Japanese maker of numerically controlled equipment for machine tools, pushed up pre-tax profits 38.8 per cent in the year to March to reach Y66.05bn ($441.2m).

It attributed the rise to strong capital spending within Japan. However, the company is forecasting profits before tax in the current year of Y66.5bn.

This implies a slowing in growth to only a tenth of the previous level.

Sales at Y178.1bn were up 19.5 per cent and are projected to reach Y187bn this year. The dividend, enhanced by Y1 at the halfway stage, totals Y18 per share against Y17. It is being paid from net earnings of Y145.68 compared with Y92.63.

Tool and laser sales were up 21.8 per cent to Y141.5bn, while those of integrated automation systems rose 11.3 per cent to Y36.6bn.

The figures were on a parent company basis and do not entirely reflect Fanuc's recent strong expansion abroad.

Oji Paper hit by rising fuel costs and falling yen

By Robert Thomson in Tokyo

OJI PAPER, Japan's largest paper manufacturer, yesterday announced a 13.3 per cent fall in pre-tax profit to Y40.89bn ($273.1m) for the year to March, as companies in the industry were squeezed by a weaker yen, higher fuel costs and rising interest rates.

Sales rose 11.5 per cent to Y468.9bn, with the figure improved by the absorption of Toyo Pulp in April last year and the continued strength of domestic demand. Earnings, however, were also hurt by higher distribution costs.

For this year, sales are expected to rise 6.6 per cent to Y500bn, though pre-tax profit is expected to fall by 19.3 per cent to Y33bn because of continuing increases in the cost of fuel and materials.

Daishowa Paper, the largest of the paper makers not affiliated to Oji, reported a 19.2 per cent increase in pre-tax profit to Y19.1bn, after sales of securities holdings compensated for a 22.1 per cent fall in operating profit.

The company has come into prominence this month with the record prices for Van Gogh and Renoir paintings paid by its honorary chairman, Mr Ryoei Saito, whose family exercises great influence over company policy.

Daishowa's sales last year rose 3.1 per cent to Y344.9bn, and the company expects sales this year to rise to Y378bn, while pre-tax profit is expected to fall to Y15.1bn.

INTERNATIONAL CAPITAL MARKETS

Equity fund set up for emerging exchanges

By Stephen Fidler, Euromarkets Correspondent

AN EQUITY fund of at least $100m created to invest in the emerging stock markets of Commonwealth countries – some of which are otherwise inaccessible to foreign investors – is to be launched today.

Although the Commonwealth Equity Fund was created following a proposal from the Commonwealth Secretariat subsequently backed by the group's finance ministers, it is to be operated purely on commercial principles.

US institutional investors have said they intend to commit $50m to the fund, while a further $50m will be underwritten by Nikko Securities, the Japanese securities house, reflecting in part the Japanese interest in such investments.

The fund will initially commit about 40 per cent of its resources to India and a further 40 per cent to smaller capitalisation issues in Malaysia. The investments in Malaysia – the best capitalised and most liquid market among those eligible – will be reduced as investments are made in other Commonwealth countries. The commitment to India is expected to change little.

Of the 45 developing countries in the Commonwealth, 16 have or are shortly expected to have officially sanctioned stock exchanges – Malaysia, India, Pakistan, Zimbabwe, Nigeria, Jamaica, Bangladesh, Kenya, Sri Lanka, Trinidad and Tobago, Barbados, Botswana, Cyprus, Ghana, Mauritius and Papua New Guinea.

There are restrictions on foreign investment in most of these countries, many of which it would be impossible to invest in. As part of their encouragement of the fund, finance ministers agreed to open their markets to investment.

The fund manager will be Batterymarch Canada, which has specialised in emerging markets, and the placing agent for the securities is Barclay de Zoete Wedd, which is sponsoring the fund's London listing. The fund, with an intended life of 10 years extendable to 14 years, is being aimed at institutional investors looking for long-term capital growth.

If the fund is successful in taking advantage of the growing interest among institutional investors in emerging equity markets, the sponsors are expecting further funds to be launched. The Commonwealth is also investigating the possibility of establishing a venture capital fund.

A pathfinder prospectus points out that the Commonwealth developing countries have experienced better growth than most developing countries over the period 1978-88. But it says that investment in some countries may be adversely affected by any delay in securing investment relaxations, and it warns that liquidity of many of the markets is limited.

Gordon Capital in 10-day ban on principal trading

By Bernard Simon in Toronto

THE ONTARIO Securities Commission has imposed a 10-day principal trading ban on Gordon Capital, one of Canada's most aggressive securities dealers, for contravening takeover and insider-trading rules.

The ban, unprecedented in the Canadian securities industry, stems from Gordon's failure to disclose its acquisition of 40 per cent of the convertible preference shares of ITL Industries, a small Ontario automotive parts maker, in 1987 and 1988.

OSC rules require investors to disclose purchases of 10 per cent or more of any class of shares. The commission said that, as a result of Gordon's lack of disclosure, public shareholders were "seriously misinformed" about the market in ITL shares.

A senior Gordon trader has been banned from principal trading for five days. Gordon has appealed against the ban, which it called "unwarranted and extreme." The firm maintains that it broke the rules inadvertently.

The ban is due to take effect on June 18. Gordon claims to account for between 15 per cent and 20 per cent of all trading on the Toronto Stock Exchange, with about half the deals on its own account.

The penalty reflects frustration among securities regulators about some of Gordon's activities. The firm, which keeps a low public profile, has been reprimanded or fined for misdemeanours several times in the past two years.

The OSC said that Gordon's position "has its rewards, and also carries with it a corresponding responsibility for the highest level of regulatory compliance."

Banks hope Yemen unity will speed loan repayment

By Victor Mallet in Sanaa

INTERNATIONAL banks and exporters are waiting to see if this month's merger of the two Yemens will help to impose financial discipline and so resolve the problem of severe Yemeni commercial payments arrears.

Yemen's reputation has been tarnished by the North Yemeni Central Bank's failure to honour its funding commitments for some $500m worth of due letters of credit (LCs) prepared by Yemeni and foreign banks. Total short-term debt is estimated at $700m.

A 12-month, $150m rescheduling agreement signed at the start of the year with foreign banks, including Indosuez, Arab Bank and Bank of Credit and Commerce International, is proceeding with minor delays. These banks, which honoured their commitments to their clients, were given a 15 per cent down payment on the money owed to them by the Central Bank for sight LCs, and have just received their April instalment.

However, they are still angry because the Central Bank, having caused the problem by failing to pay on time, is demanding more Yemeni riyals in exchange for its dollar payments following a 20 per cent devaluation of the riyal in February. A further devaluation is possible.

Difficulties faced by the local state-controlled Yemen Bank for Reconstruction and Development and its clients are more serious. The bank failed to pay an estimated $300m to $350m of matured LCs on time and refused to sign a rescheduling of the Central Bank's unpaid commitments to it on the terms offered.

The Yemeni authorities – whose embarrassing shortage of dollars appears to be the result of over-estimating remittance income and oil revenues – are disbursing some dollars to Yemen Bank to pay part of its LC commitments, and bankers in Sanaa reckon that Yemen is determined to meet its obligations.

Exporters which failed to have their LCs reconfirmed by a bank in their countries have flocked to Sanaa to plead with the Yemen and Central banks.

Bankers say that Yemen's financial health will be tested when it has to pay large sums for deferred LCs. For some of these acceptances the Central Bank has delayed payments for the year as part of its rescheduling arrangements. One foreign bank, for example, will be owed some $20m early next year for its funding of imports of petroleum products.

Japanese banks' capital hit by stock market fall

By Stefan Wagstyl in Tokyo

JAPANESE banks' capital bases were hit by the sharp decline in the Japanese stock market earlier this year, according to figures for the year to the end of March.

The setback for share prices decreased the value of unrealised profits on the banks' securities portfolios. Some 55 per cent of the value of this profit is included in the banks' capital, under the Bank for International Settlements' rules.

Six of 15 leading banks posted reductions in the ratio of capital to assets. Others would have done so had they not raised large amounts of new funds on the stock market before the shake-out.

Four banks failed to make the most severe test of capital adequacy – the standards the BIS intends to apply after 1992. This is one bank less than in September last year. The new list includes the Industrial Bank of Japan, the top long-term credit bank.

Banks may find it more difficult to boost capital by raising funds because of uncertainty in the stock market and the particularly weak performance of bank shares during this year's turmoil.

As a result, banks expect to have to cut the rate of asset expansion from last year's levels of about 20 per cent to around 10 per cent or below.

CAPITAL RATIOS OF 15 TOP JAPANESE BANKS IN %

	March 1990	Sept 1989
Sumitomo	8.44	8.9
Sanwa	8.50	7.57
Fuji	8.25	8.08
DKB	8.30	8.20
Mitsubishi	8.40	9.12
Mitsui Taiyo Kobe	7.10	*
Tokai	7.80	7.38
Daiwa	8.40	8.59
Kyowa	8.80	8.10
Saitama	8.30	8.00
Takugin	8.30	7.10
Bank of Tokyo	8.00	8.10
IBJ	7.80	9.00
LTCB	8.20	7.10
Nippon Credit Bk	7.30	7.20

* Not available

Tax doubts over trading in LDC debt addressed

By Stephen Fidler

AN AMENDMENT has been proposed to the UK's Finance Bill to try to ensure that UK stamp duty is not charged on secondary-market trading in London on Third World debt.

Mr Tim Smith, the Conservative MP for Beaconsfield, has tabled the amendment, following claims that the development of the market in London had been inhibited by doubts about whether stamp duty was payable.

These doubts have often resulted in assignments of sovereign debt being executed in New York.

Mr Don Draper, senior stamp duty specialist at accountants and management consultancy Price Waterhouse, said it was anomalous that under current rules the exemptions for many categories of debt did not cover all categories of sovereign debt. He doubted whether the Treasury intended to charge stamp duty on this type of trading, "but this does seem to be the position as the law now stands."

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at [illegible] on May 29

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	98¼	98¾		9.59
ALBERTA PROVINCE 9 3/8 95	600	99¾	100¼	-⅛	9.41
AMERICAN GENERAL 9 3/4 95	100	94¾	96¼	-1½	11.15
AUSTRALIA 11 1/4 00	100	110⅛	110⅝	+2⅛	9.63
AUSTRIA 8 1/2 00	400	93¾	94¼		9.48
BANK OF TOKYO 8 3/8 96	100	94⅛	94⅝		9.73
BELGIUM 9 1/8 92	400	99¾	100¼		9.21
BFCE 7 3/4 97	150	91¾	92¼		9.44
BNP 8 5/8 94	300	97¼	97¾		9.36
BP CAPITAL 9 5/8 93	150	100¾	101¼	+⅛	9.25
CANADA 9 96	1000	99¼	99¾	-⅛	9.16
CCCE 9 1/4 95	300	99¾	100¼		9.30
COUNCIL EUROPE 8 96	100	93¼	93¾		9.42
DENMARK 0 98	250	47⅞	48⅜		9.52
DENMARK 8 1/4 94	150	96	96½		9.42
ECSC 8 1/4 96	193	94⅛	94⅝		9.43
EEC 7 1/4 93	250	95⅛	95⅝		9.25
EIB 7 3/4 96	250	92½	92⅞		9.41
EIB 11 91	125	101¼	101¾	-⅛	9.32
ELEC DE FRANCE 9 98	200	98	98½		9.36
EUROFIMA 9 1/4 96	100	99¾	100¼	-⅛	9.29
EXPORT DEV CORP 9 1/2 98	150	100⅛	100⅝		9.47
FINLAND 7 7/8 97	200	91¾	92¼	-⅛	9.59
FINNISH EXPORT 9 3/8 95	200	99¾	100¼		9.38
FORD MOTOR CREDIT 9 1/2 93	300	100	100½	-⅛	9.46
GAZ DE FRANCE 12 1/4 93	175	103⅞	104⅜	+⅛	10.67
GEN ELEC CAPITAL 9 3/8 96	300	100	100½	-⅛	9.37
GMAC 10 92	250	100½	101	+⅛	9.70
HALIFAX 9 1/2 93	200	99¾	100¼		9.59
IBM WORLD TRADE 7 3/8 93	150	94⅝	95	-⅛	9.62
IND BK JAPAN FIN 7 7/8 97	200	91¼	91¾	-⅛	9.67
INTER AMER DEV 7 5/8 96	200	91⅛	91⅝		9.52
ITALY 8 1/2 94	1500	97	97½		9.33
JAPAN DEV BK 8 94	150	95⅞	96⅜		9.32
KANSAI ELEC PWR 10 96	350	101¼	101¾		9.70
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COUNCIL EUROPE 7 94 LFr	600	92	93	-⅛	9.64
KREDIETBANK 7 93 LFr	1000	92¾	93¾	-⅛	9.73
WORLD BANK 8 96 LFr	1000	93	94	-⅛	9.60
ALBERTA PROVINCE 10 92 C$	500	94⅛	94⅝	+⅛	13.16
BCE INC 9 5/8 93 C$	300	91⅞	92⅜	+⅛	13.14
BK MONTREAL REALTY 10 3/4 92 C$	75	95⅛	95⅝	+⅛	13.02
BRITISH COLUMBIA 12 1/4 91 C$	100	97⅞	98⅜	-⅛	13.76
EIB 10 1/8 98 C$	130	88⅝	89	-⅛	12.50
FORD CREDIT CANADA 10 94 C$	100	90⅞	91⅜	+⅛	12.92
GENERAL ELECT CAP 10 1/4 93 C$	175	93	93½	+⅛	12.91
MONTREAL TRUSTCO 8 1/2 92 C$	100	91½	92¼	-⅛	13.78
NEW BRUNSWICK 10 3/4 01 C$	150	94⅛	94⅝	+4⅛	11.72
ONTARIO HYDRO 10 7/8 99 C$	500	92	92¼	-⅛	12.49
ROYAL TRUSTCO 10 1/4 93 C$	100	92⅞	93⅜	+⅛	13.40
SWEDEN 9 3/4 93 C$	250	93	93½	+⅛	12.74
TORONTO 11 99 C$	75	91⅞	92⅜	-⅛	12.61
AUSTRIA 7 3/8 93 Ecu	125	94	94½	+⅛	9.88
BNP 7 7/8 94 Ecu	100	90	91	+⅛	11.38
CNT 7 3/8 93 Ecu	250	93¼	93¾	+⅛	10.02
DENMARK 7 5/8 96 Ecu	250	87⅜	87⅞	+⅛	10.68
EEC 7 5/8 94 Ecu	200	91⅞	92⅜	-⅛	10.42
EIB 10 97 Ecu	500	98⅛	98⅝		10.35
ITALY 10 3/4 00 Ecu	1000	102	102½		10.41
SWEDEN 7 1/2 93 Ecu	250	92⅞	93⅜	+⅛	10.00
BMW FINANCE 14 1/2 92 A$	100	100⅝	101⅛	+⅛	13.97
COUNCIL EUROPE 13 93 A$	50	99	99½	+⅛	13.39
DEUTSCHE BK FIN 12 1/4 95 A$	185	93½	94¼		14.11
EKSPORTFINANS 12 3/8 95 A$	75	92⅜	92⅞	+⅛	14.62
FORD CRED AUST 13 93 A$	50	97⅞	98⅜	+⅛	14.02
HEINZ 12 3/4 91 A$	100	97⅛	97⅝	+⅛	15.50
ICI 15 1/2 92 A$	100	100⅝	101⅛	+⅛	15.04
NAT AUSTRALIA BANK 14 3/4 94 A$	150	99⅝	100⅛	+⅛	14.77
NATWEST AUST BK 13 3/4 91 A$	50	98⅛	98⅝		14.98
STATE BK NSW 14 1/4 99 A$	100	100⅛	100⅝		14.18
BARCLAYS JERSEY 9 1/2 93 £	250	90⅝	91	-⅛	13.65
[illegible]					

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]					

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]					

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]					

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
[illegible]					

CONVERTIBLE BONDS	Conv. date	Conv. price	Bid	Offer	Prem.
[illegible]					

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (three-month for US dollars). C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

FNMA expects interest rate spreads to widen

By Stephen Fidler, Euromarkets Correspondent

THE CHIEF financial officer of the Federal National Mortgage Association (FNMA) said yesterday that he expected a "modest rise" over the coming year in the spread of interest rates between US mortgage-backed securities and Treasury issues.

Mr Tim Howard was in Europe to meet investors in the UK and Switzerland. He said the pressure would arise from continued sales of mortgage-backed securities by savings and loans institutions and from an expected slowing of the market for collateralised mortgage obligations (CMOs).

CMOs are securities which repackage conventional mortgage-backed obligations to give them specific yield and repayment characteristics.

He said that the expected sharp rise in yield spreads last autumn did not take place. Faced with unexpectedly high interest rates, many savings and loans institutions had decided to hold the securities rather than book a loss in selling them. On top of that, a market in CMOs developed far quicker than expected.

Some of these factors were now being reversed: he expected some slowing in the CMO market. Many of the real estate investment trusts, which had been important buyers of the riskier tranches of CMOs, had gone bankrupt.

And warnings from the Comptroller of the Currency, the bank regulator, about the dangers of such securities to regional commercial banks – another important group of buyers – seemed likely to slow their demand.

He also noted that the Resolution Trust Corporation (RTC) – the government body created to bail out failed savings and loans institutions – was under pressure to liquidate quickly some of the investments it had taken over. RTC has said it intends to sell $10bn of mortgage-backed securities – the most liquid part of its portfolio – in the second quarter of this year.

In the second half, the RTC is expected to seek bids for its whole loan portfolios of unsecuritised mortgages. Mr Howard said that the FNMA – a public-quoted company created by Congress to ensure continued flows of mortgage funds to home buyers – was likely to bid for a substantial proportion of these mortgages.

However, the FNMA, along with other prospective bidders, would insist that the RTC make representations and warranties to ensure buyers it had a right to transfer the mortgages.

Mr Howard said this was common practice in the mortgage market and did not amount to a guarantee on the performance of the mortgages.

Paris institution to take 70% of Bank of Namibia

SOCIETE Financière pour les Pays d'Outre-Mer (SFOM) is to buy the 70.1 per cent share in the Bank of Namibia held by Banque Financière de la Cité de Geneva, Reuter reports.

With assets of more than R332m ($125m), the bank is one of the biggest in Namibia, which recently gained independence from South Africa. The Bank of Namibia is planning to increase its nominal capital by R3m, bringing shareholders' funds to a total of R17m, it added.

The Paris-based SFOM is associated with 14 commercial banks and financial institutions in 13 African countries.

Its shareholders are Banque Nationale de Paris, Banque Bruxelles Lambert and Dresdner Bank.

Dresdner Bank said the Bank of Namibia was considering further expansion of the branch network, particularly in the north of the country.

IFC to help developing countries use swaps

By Stephen Fidler

THE INTERNATIONAL Finance Corporation, the private sector arm of the World Bank, has signed its first agreement as an intermediary in the swaps market. This is the first in a programme which aims to provide access for private companies in developing countries to the international swaps market.

The rapidly growing swaps market is sensitive to the risk of default by a counterparty, and this effectively rules out its use by companies in countries with a history of debt payment difficulties.

By standing between the company and the swaps market as an intermediary, the IFC aims to give more borrowers in developing countries access to the swaps market as a tool for managing their liabilities.

The first agreement was with Banco Serfin of Mexico and allows the bank to convert a nine-year, D-Mark denominated loan to it from DEG, the German investment and development company, into US dollar funds. These are most in demand from the bank's clients.

The Mexican bank has established a D-Mark/dollar currency swap with the IFC, which will hedge its exposure on the swap with another counterparty in the market.

The IFC said it intended to broaden its intermediation role as a natural extension of the currency and interest rate swaps it arranges as part of its borrowing and lending.

Shares in Ibusz priced at $75.40

IBUSZ, the Hungarian travel agency which is to be floated on the stock market via share issues in Hungary and Austria, is to have its shares priced at the equivalent of $75.40 each, Reuter reports.

The issue, from June 11 to 15, will be the first major privatisation for Hungary's State Property Agency, which plans to raise up to $2bn by the sale of 100 to 150 state enterprises in the next 18 months.

Issues well received in good day for Eurobonds

By Andrew Freeman

A $200m 10-year deal for Japan Highway Public Corporation enjoyed a fine reception on the Eurobond market yesterday. Elsewhere, a series of well-priced new issues was warmly received in one of the market's best days this year.

INTERNATIONAL BONDS

The Japan Highway deal was launched by IBJ at a spread of 60 basis points over the equivalent US Treasury, in line with recent issues for similar credits. Despite the lack of premium, it met firm demand from Japanese investors early on and traded inside fees. After that, it quickly sold out to international accounts.

IBJ was quoting the paper as high as less 1.77 bid, but later moved the level down in line with weaker Treasuries. Towards the close the bonds were at less 1.85 bid, still comfortably inside full fees and inside the secondary market spread level for similar credits. Proceeds are thought to have been swapped into yen.

In West Germany, the second deal since the 1982 debt crisis for a Mexican borrower was launched by Dresdner Bank and matched the success of the issue for Pemex in late March. The DM125m five-year deal for Nacional Financiera, the development bank, carried an 11 per cent coupon which attracted strong retail interest that grew throughout the day. After opening at 99 bid, the price rose steadily and closed at 100.10 bid, a premium to the issue level. Proceeds were not swapped, but the borrower was thought to be looking for floating-rate dollars.

The Ecu sector saw two quality deals reflecting steady interest in paper offering liquidity. UBS Phillips & Drew brought an Ecu300m seven-year deal for New Zealand with a 10⅝ per cent coupon. The issue was re-offered by the syndicate at par, with fees of 32.5 basis points on top.

UBS P&D kept about half the deal and reported good sales, particularly to central banks and investment managers.

The lack of obvious arbitrage in Ecu, with swap levels implying a funding rate of ¼ point over London interbank offered rates, suggested that the borrower had decided to hold the funds. UBS P&D declined to comment.

Paribas Capital Markets was the lead manager of a fungible Ecu150m five-year issue for OKB which met similarly strong demand. The paper was quoted comfortably inside fees at around less 1¾ bid.

Unilever Capital Corporation launched a fungible $150m tranche of its existing 10-year $250m 9¼ per cent issue. The tranche came via Deutsche Bank Capital Markets as a bought deal handled like a block trade. At the borrower's request, the syndicate on the original deal was invited to subscribe for paper. The paper was offered at 98.35, above the issue price and implying a spread over Treasuries of around 63 basis points.

The World Bank's Sch1bn 10-year domestic deal via Creditanstalt had a hot reception as investors chased bonds as high as less 1.40 bid, way inside full fees. The bank last tapped the market three years ago, so scarcity value was partly behind the demand.

A Fl 200m 10-year deal for the Inter-American Development Bank came via Algemene Bank Nederland and was increased to Fl 250m after strong demand. The paper was trading well inside fees at less 0.65 bid. Proceeds were unswapped.

A L150bn three-year issue for the Republic of Austria was quoted by Banca Commerciale Italiana inside fees at less 1.28 bid.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Japan Highway Public Corp(a)♦	200	9⅜	101¼	2000	2/1¼	IBJ Int.
Unilever Capital Corp.(c)♦	150	9¼	98.275	2000	No fees	Deutsche Bank Cap.Mkts
AUSTRALIAN DOLLARS						
Shell Australia(a)♦	100	15¼	101⅞	1993	1½/1	Hambros Bank
ECUs						
New Zealand(d)♦	300	10⅝	100	1997	32½bp	UBS Phillips & Drew
Oest. Kontrollbank(e)♦	150	10¼	102⅝	1995	1⅝/1¼	Paribas Capital Markets
LIRE						
Austria, Republic of(a)♦	150bn	12½	101.60	1993	1⅜/⅞	Banca Comm. Italiana
D-MARKS						
Nacional Financiera(a)♦	125	11	100	1995	2/1¼	Dresdner Bank
GUILDERS						
Inter-American Dev.Bank(a)♦	250	9¼	101	2000	1/⅝	Algemene Bank Nederland
AUSTRIAN SCHILLINGS						
World Bank(a)♦	1bn	8⅞	101.70	2000	2.15/1	Creditanstalt-Bankverein
SWISS FRANCS						
Inter-American Dev.Bank(b)♦	125	7½	102	2000	2	SBC
FINNISH MARKKA						
Finnish Real Estate Bank(a)♦	100	13.4	99½	1993	n/a	Skopbank

♦Final terms. a) Non-callable. b) Issue increased from SFr100m. Non-callable. c) Fungible with existing $250m bond on July 2. Non-callable. Issue price plus accrued interest. d) Fixed re-offer price. Non-callable. e) Fungible with existing Ecu150m bond from June 21. Non-callable.

Treasuries improve modestly following dollar upturn

By Janet Bush in New York and Stephen Fidler in London

US TREASURIES registered modest gains yesterday in subdued trading as dealers took a cautious stance ahead of this week's slew of economic data.

In late trading, the Treasury's benchmark long bond was quoted ⅜ point higher for a yield of 8.63 per cent while short-dated maturities stood mostly 1/16 point higher.

GOVERNMENT BONDS

These modest gains partly reflected an improved performance by the dollar, which moved above the Y150.00 level overnight in Tokyo. It sustained these levels in New York where it was quoted at Y151.25 in late business.

The weakness in bonds last Friday, before the long holiday weekend, was partly because the US currency slumped below Y150.

With little else to focus on yesterday, the currency markets were expected to set the tone.

There are two focuses of attention this week – another wedge of new issues to be absorbed and a great deal of economic data, including Friday's May employment release.

The key economic indicator will be the employment release which is expected to show a substantial gain in the non-farm payroll, partly because of the addition of US census workers.

The market will be particularly interested in seeing whether the fall in the non-farm payroll in April is reversed.

Coinciding with the employment release on Friday will be the latest report from US purchasing managers.

Today, April leading indicators are released as well as new single-family home sales.

■ THE WEAKENING of the yen through the Y150 level against the dollar prompted a sharp reversal of the recent rally in the Japanese government bond market. In early Tokyo trading yesterday, the yield on the benchmark No 119 bond fell to 6.88 per cent from the opening 6.86 per cent in Tokyo. But then yen weakness against the dollar pushed the yield back above 7 per cent.

It closed at 7 per cent exactly, compared with the day's worst of 7.035, and changed little in London.

In another development, traders said they expected the No 119 to lose its benchmark status some time over the summer. The June auction of 10-year securities will produce an issue, the No 129, which will prove sufficient when combined with the No 129 bonds from the September auction to provide a benchmark issue of Y1,500bn.

■ EUROPEAN government bond markets were extremely quiet. That in the UK was no exception, and prices closed hardly changed.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	98-17	+1/32	12.74	12.43	13.79
		10.500	5/99	90-29	+1/32	12.19	11.96	13.16
		9.000	10/08	82-29	+1/32	11.20	10.99	12.05
US TREASURY *		8.875	05/00	101-16	+10/8	8.65	8.68	9.06
		8.750	05/20	101-10	+17/32	8.63	8.65	9.03
JAPAN	No 119	4.800	6/99	87.7498	-0.588	7.01	7.03	7.39
	No 2	5.700	3/07	92.5317	0.001	6.64	6.65	7.13
GERMANY		7.750	02/00	93.7200	0.270	8.72	8.74	8.80
FRANCE	BTAN	9.000	02/95	96.4848	-0.034	9.94	9.95	9.98
	OAT	8.500	03/00	93.1000	0.040	9.60	9.59	9.62
CANADA *		10.500	07/00	88.7500	0.700	11.21	11.21	11.59
NETHERLANDS		7.750	01/00	92.3200	0.100	8.95	8.97	9.02
AUSTRALIA		12.000	7/99	92.6312	0.393	13.41	13.50	13.80

London closing, *denotes New York closing session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

© The Financial Times Ltd 1990. Compiled by the Financial Times Ltd in conjunction with the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section

	Equity groups & sub-sections	Tue May 29 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Fri May 25 Index No.	Thu May 24 Index No.	Wed May 23 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (199)	878.92	+1.2	13.19	5.16	9.17	15.78	868.40	869.67	876.63	969.70
2	Building Materials (27)	1098.72	+1.4	14.40	5.41	8.58	21.22	1083.19	1082.31	1095.65	1223.89
3	Contracting, Construction (36)	1357.93	+0.7	17.66	6.05	7.37	33.20	1348.98	1357.33	1369.72	1689.83
4	Electricals (10)	2512.63	+0.5	11.32	5.33	10.87	61.43	2499.80	2513.21	2524.85	2805.84
5	Electronics (29)	1855.74	+1.2	9.78	4.00	13.23	19.33	1833.33	1848.12	1861.87	2240.75
6	Engineering-Aerospace (8)	473.12	+1.2	13.72	4.92	8.69	9.31	467.59	469.18	470.93	0.00
7	Engineering-General (43)	480.48	+0.3	11.75	5.21	10.28	8.17	478.85	477.18	478.33	0.00
8	Metals and Metal Forming (6)	492.85	+1.1	23.84	6.32	4.73	0.53	487.45	491.11	493.90	547.03
9	Motors (16)	355.86	+0.9	15.49	6.33	7.54	9.56	352.57	349.24	349.52	324.67
10	Other Industrial Materials (24)	1602.42	+1.8	11.10	4.97	10.40	33.09	1573.55	1571.56	1589.39	1589.60
21	CONSUMER GROUP (178)	1262.27	+0.9	9.58	3.96	12.93	12.56	1250.67	1257.56	1261.42	1213.79
22	Brewers and Distillers (21)	1505.34	+1.1	10.17	3.84	11.88	12.62	1488.30	1501.45	1508.58	1296.94
25	Food Manufacturing (20)	1076.01	+1.3	10.46	4.41	11.80	16.98	1061.94	1063.25	1067.58	1061.68
26	Food Retailing (16)	2465.03	+1.8	9.24	3.29	13.90	22.97	2421.47	2418.96	2427.17	2223.54
27	Health and Household (15)	2519.56	+0.2	6.83	2.74	17.42	20.36	2515.16	2550.00	2564.42	2250.33
29	Leisure (31)	1426.96	+1.2	10.04	4.27	12.12	18.28	1409.43	1421.81	1412.89	1663.57
31	Packaging & Paper (12)	586.72	+0.2	12.51	5.78	10.22	11.83	585.62	585.22	582.11	579.89
32	Publishing & Printing (16)	3364.00	+1.0	9.96	5.34	12.65	50.81	3331.65	3336.97	3342.21	3631.28
34	Stores (35)	789.11	+0.7	11.33	4.79	11.39	2.25	783.35	781.93	786.14	809.71
35	Textiles (12)	490.76	-0.3	13.19	7.28	9.64	13.26	492.35	493.58	491.98	546.18
40	OTHER GROUPS (105)	1155.92	+1.3	11.19	5.03	10.74	10.37	1141.24	1150.57	1143.53	1108.48
41	Agencies (17)	1636.25	+1.6	6.16	2.41	19.64	14.99	1610.98	1614.72	1590.09	1424.93
42	Chemicals (23)	1255.36	+1.2	11.32	5.26	10.33	28.52	1239.90	1244.98	1247.04	1269.70
43	Conglomerates (14)	1629.41	+1.8	10.35	6.07	11.61	14.41	1600.54	1596.51	1614.88	1680.59
44	Transport (13)	2231.52	+0.4	11.21	4.49	11.26	26.91	2222.34	2227.18	2227.12	2509.08
46	Telephone Networks(2)	1163.11	+1.2	11.22	4.73	11.60	0.00	1149.22	1180.69	1153.60	1106.45
47	Water(10)	1926.83	+0.9	18.09	7.03	6.12	0.00	1909.83	1926.01	1940.96	0.00
48	Miscellaneous (26)	1765.91	+1.4	11.76	4.80	9.71	18.70	1741.81	1749.94	1722.00	1524.39
49	INDUSTRIAL GROUP (482)	1147.04	+1.1	10.98	4.59	11.10	13.32	1134.44	1140.52	1142.08	1142.92
51	Oil & Gas (18)	2287.08	+1.2	11.86	5.32	11.13	46.43	2259.65	2259.14	2289.63	2028.10
59	500 SHARE INDEX (500)	1242.51	+1.1	11.10	4.69	11.10	15.95	1228.69	1234.32	1238.08	1218.27
61	FINANCIAL GROUP (108)	784.37	+1.2	–	5.86	–	18.66	775.18	776.01	783.75	732.29
62	Banks (9)	828.04	+1.7	19.82	6.49	6.61	25.62	814.54	815.72	822.76	720.31
65	Insurance (Life) (7)	1351.88	......	–	5.43	–	36.94	1351.29	1357.98	1365.96	1042.27
66	Insurance (Composite) (6)	664.60	+1.6	–	6.22	–	19.43	654.44	650.74	661.19	577.82
67	Insurance (Brokers) (7)	1074.15	+0.9	8.05	6.06	16.36	27.41	1065.06	1066.18	1069.40	1003.25
68	Merchant Banks (7)	442.30	+0.3	–	4.31	–	4.85	440.86	440.84	440.55	332.14
69	Property (47)	1085.87	+1.3	8.29	4.31	15.44	8.36	1071.95	1076.35	1092.98	1309.15
70	Other Financial (25)	307.41	-0.2	14.50	7.27	9.04	4.54	307.91	308.43	309.67	367.25
71	Investment Trusts (67)	1190.57	......	–	3.26	–	10.73	1191.21	1196.97	1197.72	1152.57
91	Overseas Traders (5)	1372.87	+0.3	8.98	6.66	13.63	42.87	1368.61	1375.21	1373.58	1363.76
99	ALL-SHARE INDEX (680)	1132.24	+1.1	–	4.83	–	16.34	1120.03	1124.61	1129.04	1098.99

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	May 25	May 24	May 23	May 22	May 21	Year ago
FT-SE 100 SHARE INDEX‡	2295.6	+30.0	2295.6	2258.7	2265.6	2277.1	2287.4	2311.3	2282.1	2130.0

FIXED INTEREST

	PRICE INDICES	Tue May 29	Day's change %	Fri May 25	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	115.26	-0.03	115.29	–	4.71
2	5-15 years	120.10	-0.09	120.20	–	4.96
3	Over 15 years	122.97	-0.13	123.14	–	4.77
4	Irredeemables	140.27	+0.09	140.15	–	6.12
5	All stocks	120.51	-0.07	120.59	–	4.91
	Index-Linked					
6	Up to 5 years	144.57	......	144.56	–	1.49
7	Over 5 years	136.69	-0.35	137.17	–	1.38
8	All stocks	137.17	-0.32	137.62	–	1.38
9	Debentures & Loans	98.03	......	98.03	–	3.92
10	Preference	73.36	-0.67	73.86	–	2.52

	AVERAGE GROSS REDEMPTION YIELDS		Tue May 29	Fri May 25	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	11.36	11.36	9.73
2		15 years	11.07	11.04	9.33
3		25 years	10.97	10.95	9.17
4	Medium Coupons	5 years	12.41	12.39	10.91
5		15 years	11.57	11.55	9.81
6		25 years	11.17	11.16	9.37
7	High Coupons	5 years	12.51	12.49	11.02
8		15 years	11.87	11.86	10.02
9		25 years	11.48	11.47	9.53
10	Irredeemables	†	10.93	10.94	9.19
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	5.32	5.31	3.84
12	Inflation rate 5%	Over 5 yrs.	4.23	4.20	3.73
13	Inflation rate 10%	Up to 5 yrs.	4.26	4.25	3.08
14	Inflation rate 10%	Over 5 yrs.	4.04	4.02	3.56
15	Debs & Loans	5 years	14.71	14.43	11.78
16		15 years	13.55	13.47	11.46
17		25 years	13.13	13.07	11.14
18	Preference	†	12.67	12.53	10.19

‡Opening index 2259.1; 9 am 2272.9; 10 am 2278.6; 11 am 2285.4; Noon 2281.5; 1 pm 2285.5; 2 pm 2285.9; 3 pm 2286.2; 4 pm 2292.1; 4.10 pm 2293.4; (a) 4.25pm (b) 8.31am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	9	75	14
Corporations, Dominion and Foreign Bonds	2	4	18
Industrials	498	244	839
Financial and Properties	180	106	456
Oils	25	21	43
Plantations	1	2	7
Mines	67	20	77
Others	56	88	99
Totals	838	560	1,553

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

- First Dealings: May 21
- Last Dealings: June 1
- Last Declarations: Aug. 16
- For settlement: Aug. 28

For rate indications see end of London Share Service

Calls in First Australian Tst., Control Secs., T. Cowie, Kwik-Fit, Parkfield, Trident Pet., Waterford Wedgwood Stk. units and Tuskar Res. Put and call in Tuskar Res.

LONDON TRADED OPTIONS

[illegible]

May 29 Total Contracts 19,861. Calls 12,991 Puts 6,870. FT-SE Index Calls 2,894 Puts 2,199. Euro FT-SE Calls 0 Puts 132. *Underlying security price. † Long dated expiry months.

UK COMPANY NEWS

Lending with adverse properties

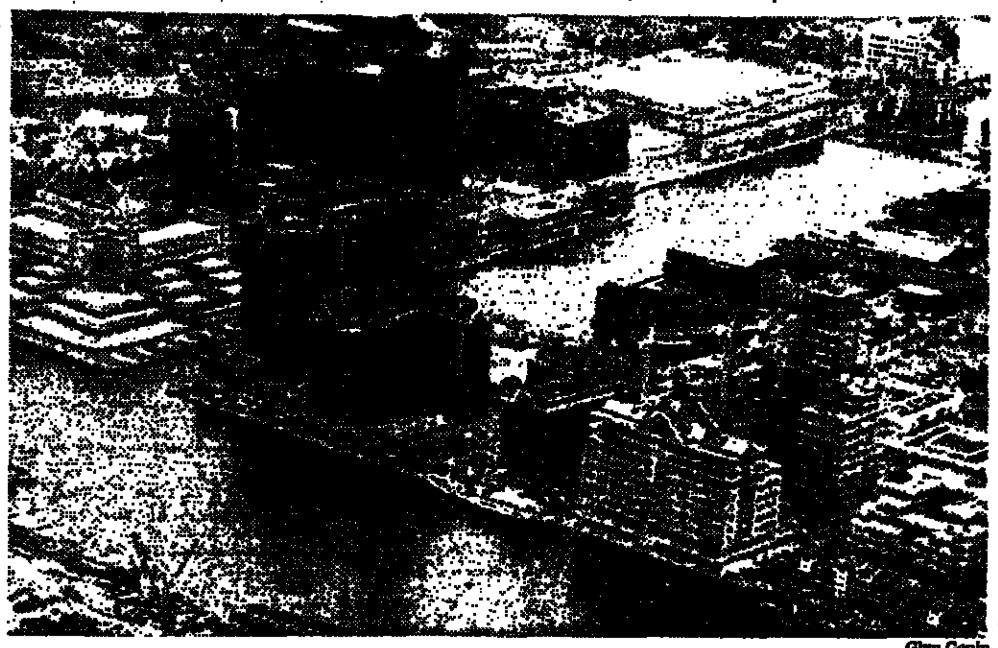
Paul Cheeseright on the downside to off-balance sheet financing

BANKS are casting an increasingly worried look over the property development sector only two years after they beamed with pleasure at the latest loan agreement they had negotiated with a company within it.

This is not only a question of corporate difficulties. It also concerns loans where the security of the banks is tied to the success of the property project for which they have provided the money.

The decision of Marples International and National Finance & Leasing to call in receivers at South Quay Plaza 3, on the Isle of Dogs in London Docklands, emphasises the vulnerability of the banks to this sort of financing in a sluggish commercial property market.

Capital values are easing as buyers are held back by high interest. Tenant demand is weakening both because the economy is slowing and because the 1986-89 surge in property development has produced an increasing number of buildings from which to choose.



Glyn Genin

South Quay Plaza 3 on the Isle of Dogs in London Docklands: The syndicate of banks which provided the development finance is left with about £35m of loan capital outstanding and a Docklands office building to be leased and sold

The syndicate of banks which provided the development finance for South Quay Plaza 3 is left with probably about £35m of loan capital outstanding and a London Docklands office building to be leased and sold.

In this and other cases of off-balance sheet financing, the companies sponsoring the development can walk away without liability. The banks have no recourse to them, only to the property. Which is why some property companies have favoured this technique, new in the British market from the mid-1980s.

One of the major concerns of property development companies is to minimise risk. Non-recourse financing fits into a chain of measures designed to meet this aim.

- First, a company decides it will share the risk of a development and therefore engages a joint venture partner.
- Second, the joint venturers set up an associate company, off their own balance sheet, whose sole asset is the development.
- Third, the finance for the project is raised by the associated single asset company against the security of the development, the only recourse being to the developers when there are, for example, cost or construction time overruns.
- Fourth, the developers enter into construction contracts at a fixed price.
- Fifth, the developers may seek to lease the building to a company before it is completed or, indeed, arrange to sell it once it is completed, simply taking away from the project a development margin of, ideally, about 20 per cent of the value.

The best-known case of the first four and most basic steps has been the Broadgate office development in the City of London, where over £1bn has been raised in stages by Rosehaugh Stanhope Developments.

This is a joint venture of Rosehaugh and Stanhope Properties, which, with the British Rail Property Board putting in the site, have been the joint developers.

At South Quay Plaza 3, Marples and National Finance each set up off-the-shelf companies and hung the development and its financing off them.

Although this form of financing is relatively new to the British property sector, it is old hat to international banks. It is project financing by any other name, long used for the development of, say, oil wells.

But the returns from property are less readily estimated than from an oil well. Large office blocks, to which much of the non-recourse finance is attached, are lumpy investments which attract a fluctuating number of buyers, but never very many. Oil can usually be sold to somebody.

With short and medium-term property lending, the bank can receive its money back only if the developer can either sell the building or lease it fully so that it can be re-financed with longer term funds like a commercial mortgage. South Quay Plaza 3 failed on both those counts.

The banks' stake in the sale is increased because of the habit of allowing the interest to be rolled up so that it is paid off simultaneously with the loan capital. There are no returns for the bank at all if the building cannot be sold or refinanced.

Off-balance sheet finance has been used almost exclusively by property development companies. By contrast property investment companies – generally larger and wealthier – have preferred more conservative techniques of finance, holding their borrowings on the balance sheet.

Mr Peter Hunt, chairman of Land Securities, the biggest of the investment companies and arguably the most cautious in its financing, stressed yesterday that its pre-tax profits contained "no element of gain made on sale of properties." Further, "there were no off-balance sheet liabilities or undisclosed interest charges."

The total amount of outstanding non-recourse finance was relatively small as a proportion of total bank lending to property companies. But, as the figures compiled by Savills, chartered surveyors, show, nearly £4.4bn was lent between 1985 and 1989.

This compares with total lending to property companies of £34.1bn, according to the latest Bank of England statistics.

It reached its high point in 1988 when the property market was approaching its peak, now seen as early 1989. Then competition among banks to lend to the property sector was intense as foreign banks sought a place in the market. Syndicated facilities were a relatively easy way of achieving that presence.

But the growth of property lending, and with it the extent of non-recourse financing, started to slow from early 1989, reflecting the change in the market conditions and the growing caution of the banks.

Such caution has been encouraged by the Bank of England, which in its monitoring of the exposure of individual banks has informally been checking on control and risk assessment systems.

AT Trust seeks capital injection

By Andrew Hill

AT TRUST is seeking an injection of new capital to help cut borrowings weighing down the property, financial services and leisure group.

At the same time, Mr Theo Paphitis is to hand over the role of chairman to Mr Michael Dart, a US businessman who heads a private investment company.

Mr Paphitis, who took charge of the former Astra Industrial Group three years ago when it was a loss-making engineering and leisure company, will remain as chief executive.

Mr Dart and his associates are to invest £750,000 in the company, and the group said it was "considering raising a similar sum from shareholders". The most likely routes are a rights issue or share placing, but a more detailed announcement is expected within the next two weeks.

AT's share price reached a peak of 58p last August, but dropped as low as 7p by the beginning of the month. However, in the last week the shares have jumped to 14p, and AT decided to issue a preliminary announcement of its plans to dispel speculation. The shares slipped 1p to 13p yesterday.

AT has been hit by problems at its leisure division, which was expanded by the successful hostile bid for Splash Products a year ago. Losses at Splash's leisurewear operations and escalating finance charges helped drive the whole group into the red in the six months to the end of last October.

As part of the plans to reduce borrowings of £7m, AT has already announced the £4m sale of Cerex Jewels, its gift retailing operation. AT is thought to be considering disposals of other non-core businesses, in an attempt to wipe out the rest of its debt.

Mr Rex Stanion, Cerex's founder and a director of Splash, is to stay with AT and will join the board as an executive director.

Blacks director resigns

By Nikki Tait

MR STEPHEN Morris, managing director of Blacks Leisure, has resigned from the board of the camping and sporting goods company, and from that of its Miss Sam subsidiary.

The company declined to make any comment on the reasons for his departure, or to elaborate in any significant way on its statement. However, it did confirm that Mr Morris would not be receiving any compensation, although he has a service contract which runs until October, 1991.

In mid-April, Blacks announced that results for the year to March 3 would be "materially below those of the previous year". It added that its auditors were reviewing the accounts of Miss Sam, which operates as a womenswear fashion designer and wholesaler, where "accounting irregularities" had come to light.

It was later confirmed that the "irregularities" had arisen in internal management accounts.

Mr Morris founded Miss Sam in 1976 and joined Blacks Leisure when it acquired the business, by then a quoted company, in July 1987.

During its recent abortive bid for A Goldberg, Blacks described Mr Morris as managing director of Blacks with "overall responsibility for the fashion and textiles division and menswear retail."

Blacks shares were 1p higher at 47p yesterday.

Elan doubles to I£3.3m

Elan Corporation, the Irish Republic-based drug reformulation company which joined the USM last August, doubled pre-tax profits to I£3.3m (£3.1m) in the year ended March 31, compared with a previous I£1.77m.

The company said that the revenue and profits growth was achieved on strong licensing, manufacturing and royalty income.

Sales totalled I£30.23m (I£16.17m) and the gross profit rose to I£19.55m (I£11.2m). After tax of I£10,000 (I£3,000) earnings per share advanced from 11p to 21p.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Brewmaker §	fin	0.1	-	nil	0.2	nil
British-Borneo	fin	16	July 13	16	24	24
Centreway Trust	fin	2	-	1.5	3	1.5
City of Ldn PR §	fin	1.86	-	1.5	2.81	2.25
Petaling Tin	int	nil	-	60‡‡	-	180‡‡
Ritz Design	fin	2.67	July 20	2	4	2
Rolfe & Nolan §	fin	5.4	July 26	3.5	8.6	5.6
Tunstall	int	2	July 23	1.75	-	4.5
Westland	int	1.25	July 31	1.25	-	3.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ‡‡Malaysian cents.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Caspen Oil, Eurocopy, Speyhawk.
Finals- Dunhill, Plysu.

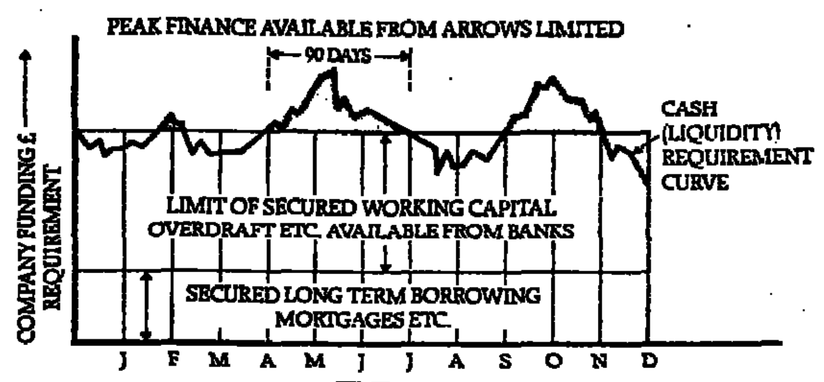
FUTURE DATES

Interims-

Crown Communications	June 8
Eldridge Pope	June 15
Heavitree Brewery	June 8
Polar Electronics	June 18
RCO	June 7
Scottish Investment Trust	May 31
Sleepy Kids	May 31
Watson & Philip	June 14

Finals-

Anglian Water	June 8
Apricot Computers	June 5
Borthwicks	June 11
Butte Mining	June 1
Cable & Wireless	June 13
Channel Tunnel Invs	June 6
Cropper (James)	June 14
De La Rue	June 5
Dowty	June 2
Drummond	June 1
EMAP	June 11
Great Portland Estates	June 5
Hardy Oil & Gas	June 11
High Gosforth Park	June 1
Hunter Saphir	June 7
Investment Co	June 1
Latham (James)	June 22
Lyons Irish	June 11
Marshalls	June 5
Marston Thompson	June 12
New London	June 11
Oxford Instruments	June 7
Powerscreen International	June 5
Rowlinson Securities	June 6
Salvesen (Christian)	June 13
Sanders & Sidney	June 7
Vosper Thornycroft	June 12



UK COMPANY NEWS

Helicopter sales fall 21% and division likely to remain flat for at least two years

Aerospace side helps Westland to 44% rise

By David White, Defence Correspondent

WESTLAND, the Yeovil-based helicopter group, has begun to reap the benefits of efforts to develop other areas of business, showing an increase of almost 44 per cent in first-half profits.

The pre-tax figure rose to £11.5m in the six months to end-March against £8m in the corresponding period of the previous year, in spite of an 11 per cent drop in turnover to £194.9m.

The turnover decline reflected a slowdown in helicopter deliveries and a gap in new orders from the UK Ministry of Defence.

Westland's sales from helicopters fell 21 per cent to make up just two thirds of total turnover, and Mr Alan *Jones, chief executive*, said the proportion was likely to decline further.

At the same time, the company's aerospace division, involved in wing and engine components and control systems, saw operating profits more than double to £3.2m on sales rising 39 per cent to £27.8m.

The technologies division showed a 58 per cent recovery in operating profit to £4.1m in the wake of rationalisation plans announced last autumn, which involve the loss of 420 jobs.

Mr Jones said he expected continued growth in the aerospace business, following orders received earlier this year worth more than £150m from McDonnell Douglas of the US, Dornier of West Germany and Hispano Suiza of France.

However, the helicopter business, which maintained its operating profits at £8m, would probably remain flat for "at least a couple of years," according to Mr Jones.

Production orders for the EH101 naval and utility helicopter, which Westland is developing jointly with Agusta of Italy, are not expected to be placed until next year.

The helicopter division is relying on remaining UK and export orders for Lynx and Sea King models to keep it ticking over. But Westland said it was organising the division so that engineering skills could be applied to other areas.

Doubts hang over the choice of the EH101 for use by the RAF as a support helicopter and over the four-nation Light Attack Helicopter project for the army.

But Westland is comfortably placed to produce the most likely alternatives in both cases: the Sikorsky Black Hawk, which the British company is already due to make under licence for Saudi Arabia, and the McDonnell Douglas Apache.

Earnings per share advanced to 5.4p (3.2p). The interim dividend is unchanged at 1.25p.

Analysts now predict a rise of about 25 per cent in full-year profits over the 1989 pre-tax figure of £20.7m. Sales, however, are expected to fall short of last year's £431.9m.

See Lex

Tony Andrews

Alan Jones: helicopters now made up just two thirds of turnover

Lift for TVS as CBS takes sitcom series

By Raymond Snoddy

AFTER A series of setbacks in the US Mr James Gatward, chief executive of TVS Entertainment, will today hear some good news for a change.

CBS, the US network, will announce in New York that it is buying a 13-part situation comedy starring Burt Reynolds from MTM, the Hollywood production subsidiary of TVS, the British ITV company.

The half-hour series, expected to cost about $10m (£5.9m) to produce, and scheduled for transmission in the prime 8pm slot on Friday evenings, will mean that TVS will have a show on the US networks this autumn after all. The new show, a family comedy set in the southern US, will be called Arkansas or Eveningshade.

"Needless to say we are delighted," said Mr Gatward yesterday. Financial problems over MTM costing $320m have caused a sharp fall in the TVS share price from about 335p to 85p yesterday.

Mr Gatward also conceded publicly for the first time that the company's existing shows on the US networks would probably not be renewed.

"The chances are we are going to lose these previous shows. In business terms this is good for revenues," Mr Gatward said yesterday.

It may be good in the short term because it will limit MTM's need for deficit financing, but it will also mean that not enough of the shows will be made for the secondary syndication market – the repeating of all network programmes on independent stations.

When ABC announced its autumn schedules last week, MTM's Capital News was not there. Broadcasting of the remaining episodes of the first series of 13 resumes on June 4 and if the rating improves a " mid-season pick up " is possible although the odds are against it.

Mr Gatward said he did not expect two other MTM shows, City and FM, to make it. In addition to the Burt Reynolds sitcom, he had hopes for two other programme concepts now being considered by CBS.

Leucadia threatens Molins control move

By Andrew Hill

LEUCADIA National *Corporation is threatening to* take control of Molins by voting new directors onto the board if its hostile bid for the cigarette machinery manufacturer fails.

The offer closes at 1pm today. Leucadia already owns 44.6 per cent of Molins, but by last night the US manufacturing and financial services company had still gleaned too few acceptances from shareholders to enable it to declare the bid unconditional.

Leucadia said yesterday that if the bid failed, it would immediately ask the Molins board to remove the group's three non-executive directors and replace them with five Leucadia representatives. If it were still thwarted, Leucadia would call a special meeting of shareholders to vote on the proposals.

Molins condemned the statement as a "desperate tactic". Mr Jonathan Kitchen, a director of Lazard Brothers, which is advising the UK company, said: "Their stake doesn't entitle them to use these sort of strong-arm tactics: it's pure last-minute scare-mongering."

Leucadia is probably hoping institutions will either commit their stakes to the offer at the 11th hour, or that they will try to persuade the Molins board – which is fighting off its third bid in three years – to recommend the 275p per share *cash bid*. M&G Group, which owns 18.6 per cent of Molins, has already said it will reject the hostile bid as it did on the two previous occasions.

Leucadia said Molins had refused a meeting before the offer was launched and added that it was "concerned both about the lack of direction and the conduct of Molins' affairs."

It is unusual for a hostile bidder to display its hand so openly, although it is thought similar pressure was applied by the bidders in the final stages of the recent struggle for Laing Properties. The property group eventually recommended the joint offer from Peninsular and Oriental Steam Navigation Company and Chelsfield.

If Leucadia falls short today it will still be entitled to buy a further 2 per cent of Molins in the market, which would give it control over nearly 47 per cent of the group.

The US company's increased offer is worth about £83m, compared with the initial bid of £76m, launched at the end of March from the platform of a 33 per cent stake. Throughout the bid, Leucadia's US management have spoken through their UK advisers.

Molins' shares were unchanged at 275p yesterday, matching the offer price.

Death of racehorse sees Impshire run into the red

By Jane Fuller

THE DEATH of a racehorse ran Impshire Thoroughbreds, the Irish breeding and racing concern, into an operating loss last year.

Impshire owned an eighth of Prince of Dance, a valuable runner on the flat. His death early last season, caused by a tumour on the spine, was the main reason for the USM-quoted company's 1988 operating profit of I£436,000 turning into a loss of I£305,000 (£288,000).

Prince of Dance was not insured – a matter of policy according to Impshire – and his untimely death came in a poor year for the bloodstock industry. The company said prices at the upper end of the market were checked by uncertain economic conditions and high interest rates.

As a result, it took a paper *loss of I£2.29m, about* I£650,000 more than the previous year, in writing down the value of its horses.

Mr Pat Ryan, of Ansbacher in Dublin, the company's bank, said Impshire had about 40 horses in training, 16 brood mares, more than 20 youngsters and shares in 16 stallions. Everything had come down in value.

After the write-down, the company made a pre-tax loss of I£2.6m (I£1.2m). The loss per share was 35.6p (26p).

Nevertheless, Mr Ryan sounded a note of optimism for this year.

Bold Russian's win at The Curragh on Saturday not only brought in nearly £140,000 in prize money, it also increased his value and the value of his mother which Impshire also owns.

He then reminisced about a previous star, Reference Point, winner of the 1987 Derby. "It *only takes one of those every* so often to help claw back those losses."

Reduced advertising revenues lead to setback at Southnews

By Vanessa Houlder

SOUTHNEWS, the USM-quoted local newspaper group, blamed a steep downturn in advertising revenues for a fall in its pre-tax profits from £2.83m to £1.9m for the year to March 31. Turnover increased from £18.2m to £19.1m.

Mr Gareth Clark, chairman, said that the advertising downturn had been particularly damaging for free newspapers which had built up their strength in the motors, property and retail markets.

A decline in this type of advertising was responsible for a 13 per cent fall in overall advertising revenues in the year.

Since the year end, revenues from motors, property and retail advertising had levelled *out, compared with a year ago* while job advertising had declined by an average of 16 per cent.

He said that the first half of this year would be affected by the current downturn in advertising, although he looked forward to a period of growth in 1990-91.

He said that the cash flow was strong and the cost base and overheads continued to fall with improved productivity from titles and new customer services. "I view the prospects of the company for the coming year with much confidence," he said.

Southnews, which comprises 16 free newspapers and five paid-for newspapers, is dependent on advertising income for 95 per cent of its income.

Mr Clark said that the company was now leaner and fitter *and so better able* to absorb the downturn than a year ago. The company had reorganised itself into 13 business units with individual responsibility for management.

The structural changes were backed up by an investment of £360,000 in equipment and training to improve its customer service.

The once loss-making South Coast division, which includes the Isle of Wight, is now trading profitably. Mr Clark said that all but two papers in the group were profitable.

During the year, the group bought Kensington & Chelsea Times. It intends to pursue other acquisitions where there are clear financial and market share advantages to be gained and where prices are realistic.

Earnings per share fell from 12.35p to 8.65p. An unchanged *final dividend* of 3.2p is recommended, making a total for the year of 4.8p.

Goldberg plays down share price leap as 'unwarranted'

By Maggie Urry

A GOLDBERG, the Scottish-based fashion retailer, said last night that its share price rise yesterday, of 9p to 49p, was "inexplicable and unwarranted".

The group said it was in discussions which could lead to the group "making a major acquisition", involving "an issue of a very substantial number of new shares."

Knowing that, and knowing the results for the year to end March, the board said it could not understand the recent rise in the share price. The shares had risen by 2p last Friday.

The bid is likely to be a reverse takeover, possible to enable an unquoted company to obtain a listing through a merger with Goldberg.

Speculation about the target centred on Fletsand Investments, a private group which owns the [illegible] chain of department stores. Fletsand took a small stake in Goldberg last year, which it raised to 25.1 per cent in February.

At the time Mr James Fyfe, Fletsand chairman, said he wanted to discuss with Goldberg ways in which its management strengths could "complement and enhance those of Goldberg". Mr Fyfe was not available for comment last night.

Goldberg said an announcement about the bid discussions would be made as soon as possible and would be accompanied by results for the year to end March.

The group has been making losses since the 1988-89 financial year – when the pre-tax deficit was £2.92m and the final dividend was cut. At the interim stage in the 1989-90 year, the pre-tax loss was £4.58m and the interim dividend was passed. The group has been cutting back its operations, closing shops and making staff redundant.

Last year Goldberg fought off a £35m takeover bid from Blacks Leisure, a sports and leisurewear retailer.

Hanson's US asset sale brings total to over $62m

By David Owen

HANSON, the UK-based conglomerate which is fighting for control of Peabody, the US coal miner, yesterday announced the sale of its Marvin Electric Manufacturing business to Hubbell for $18.5m (£10.9m) cash.

The deal brings to more than $62m the sum raised by Hanson Industries from recent business and asset disposals. "We can do better with the money received for Marvin than with the business itself", said Hanson.

Los Angeles-based Marvin, which was formerly part of Kidde – acquired by Hanson in 1987, manufactures a range of incandescent and high intensity discharge lighting. Operating profit was $392,000 on sales of $14m for the six months to March 31 1990 and $2m on sales of $32m for the year to last September.

In its latest annual report, Hanson said that margins at its lighting operations were lower than in the prior year due to "an extremely competitive environment resulting from the continuing decrease in residential and commercial construction in the United States."

Working capital management and cash generation at Marvin had both shown "significant improvement" following its reorganisation under a new president, the report added. Hanson owns the US's second largest lighting business.

Casino buy-out talks at Mecca

Mecca Leisure is negotiating with the management of its troubled casino division for a buy-out of the four London casinos to help reduce its debt burden.

The price being sought by Mecca is not being revealed at this stage, although previous estimates had suggested that it would want up to £85m for the casinos.

However, this is seen by City analysts as an optimistic figure in the current depressed state of the casino business in London.

Nth American Gas

Net asset value per share of North American Gas Investment Trust was 88.7p as at April 30. Nine months results showed pre-tax revenue of £1.14m. After tax of £393,000 earnings per share were 2.13p. Interim dividend was 1.125p.

UK COMPANY NEWS

Buy-out plan abandoned as Tunstall nears £3m

By Jane Fuller

EXECUTIVE directors of Tunstall Group, the Yorkshire-based security equipment concern, have abandoned an attempted buy-out.

Mr Michael Dawson, chairman and holder of 25 per cent of the equity, said: "We could not come anywhere near the merchant bank's [S G Warburg's] expectations as far as the value of the business was concerned."

At yesterday's opening price of 190p the group had a market value of just over £30m. The shares fell back to 140p each on the news of the management's withdrawal. That compares with last year's high of 300p in March and a subsequent low of 120p just prior to the news of the MBO plan.

Tunstall also announced a 69 per cent increase in pre-tax profit to £2.84m for the six months to March 31. Turnover rose slightly from £24.27m to £24.63m.

Comparisons were complicated, however, by the exclusion from the latest trading figures of Ademco, a loss-making distribution business sold in December. The £2.2m received for it had helped to reduce gearing from 150 per cent to less than 70 per cent, said Mr Dawson.

Counting Ademco out of both comparative periods showed operating profit increasing from £3.1m to nearly £3.6m and turnover growing by 20 per cent.

Tunstall Telecom, which supplies emergency communication systems for the elderly and infirm, increased sales by 30 per cent.

Mr Dawson said the Government's community care legislation, due next year, would eventually provide new opportunities to sell communication systems. But he warned that uncertainties about its implementation would keep the UK market for these systems flat for a while.

The group was trying to build up exports, expected to amount to £3m or 6 per cent of sales this year.

Tunstall Security, which makes burglar alarms, and Tann Synchronome, fire alarms, had both operated in buoyant markets.

Interest payments rose to £750,000 (£580,000).

Earnings per share climbed to 11.1p (6.8p) and the interim dividend is increased from 1.75p to 2p.

● COMMENT

Although the figures were better than some analysts expected, notes of caution about the outlook mean that it may be quite some time before the shares push up towards the 300p mark again. Tunstall Telecom derives 30 per cent of its business from the private builders of sheltered housing and that market continues to look vulnerable. As the push towards keeping the elderly in their own homes gathers legislative momentum, Tunstall's public-sector markets look set to stagnate. While there is scope for providing systems for individuals' homes, that different type of business will take a while to build up. The group also has work to do to improve the performance of its fire and burglar alarm businesses. A full year forecast of £5.5m pre-tax gives a prospective p/e of about 6.5. The cheapness is explained by concern about Tunstall Telecom's profit outlook.

Rolfe & Nolan rises to £1.14m after licence revenue boost

By Andrew Hill

A STRONG increase in licence revenue helped boost profits at Rolfe & Nolan Computer Services, the computer bureau and software company, from £757,000 to £1.14m before tax in the year to February 28.

The USM-quoted company's shares rose 12p to 260p on the news.

R&N, which specialises in serving the financial futures and options market, managed to push up licence-related revenue to £1.63m (£571,000) during the year.

Mr Michael Warburg, chief executive, said the volume of business on the futures and options markets had continued to be quite strong, although there was little increase in the number of new bureau clients in the UK.

Revenue from the bureau and facilities management operation increased from £3.09m to £3.46m.

He said he was particularly pleased to have broken into continental Europe marketing software licences and support services.

"When I arrived here 3½ years ago I think there was only one in-house licence and I set about improving our reputation for licences in overseas locations," he said yesterday, adding that licence sales in West Germany had helped spread the group's reputation.

"It got us on the map in Europe, opening up opportunities there and beyond," commented Mr Warburg.

Last year 25 per cent of the group's revenue came from overseas – the bulk from licence sales.

R&N is attempting to expand its bureau division both by linking countries close to the UK to the British bureau, and by examining the possibility of opening new bureaux in Austria, Switzerland and West Germany.

Turnover for the group rose from £3.84m to £5.46m.

The group's cash and short-term deposits had risen to £2.72m (£1.59m) by the end of the year, generating interest receivable of £264,000 (£151,000).

Earnings per share rose from 18.7p to 27.6p, and proposed final dividend of 5.4p, makes a total of 8.6p (5.6p) for the year.

BP sells remainder of US coal operations

By Kenneth Gooding, Mining Correspondent

BRITISH PETROLEUM has boosted the cash raised from the sale of its world-wide coal business to $772m (£394m) – rather better than analysts originally expected – via an agreement to sell its remaining US coal operations to Zeigler Coal Holdings, a private group, for $115m.

At the end of last year, after the $137m disposal of its Mingo Logan Coal business in West Virginia to Ashland Coal, it seemed as if BP would not be able to sell the assets which have now gone to Zeigler and the UK group planned to put them into a separate holding company.

However, BP has now taken advantage of a buoyant market for coal companies in the US to reach agreement – subject to US government approval – to sell the Old Ben Coal and Franklin Coal companies. They have four underground steam coal mines in Illinois, two surface steam coal mines in Indiana and steam and metallurgical coal operations in West Virginia.

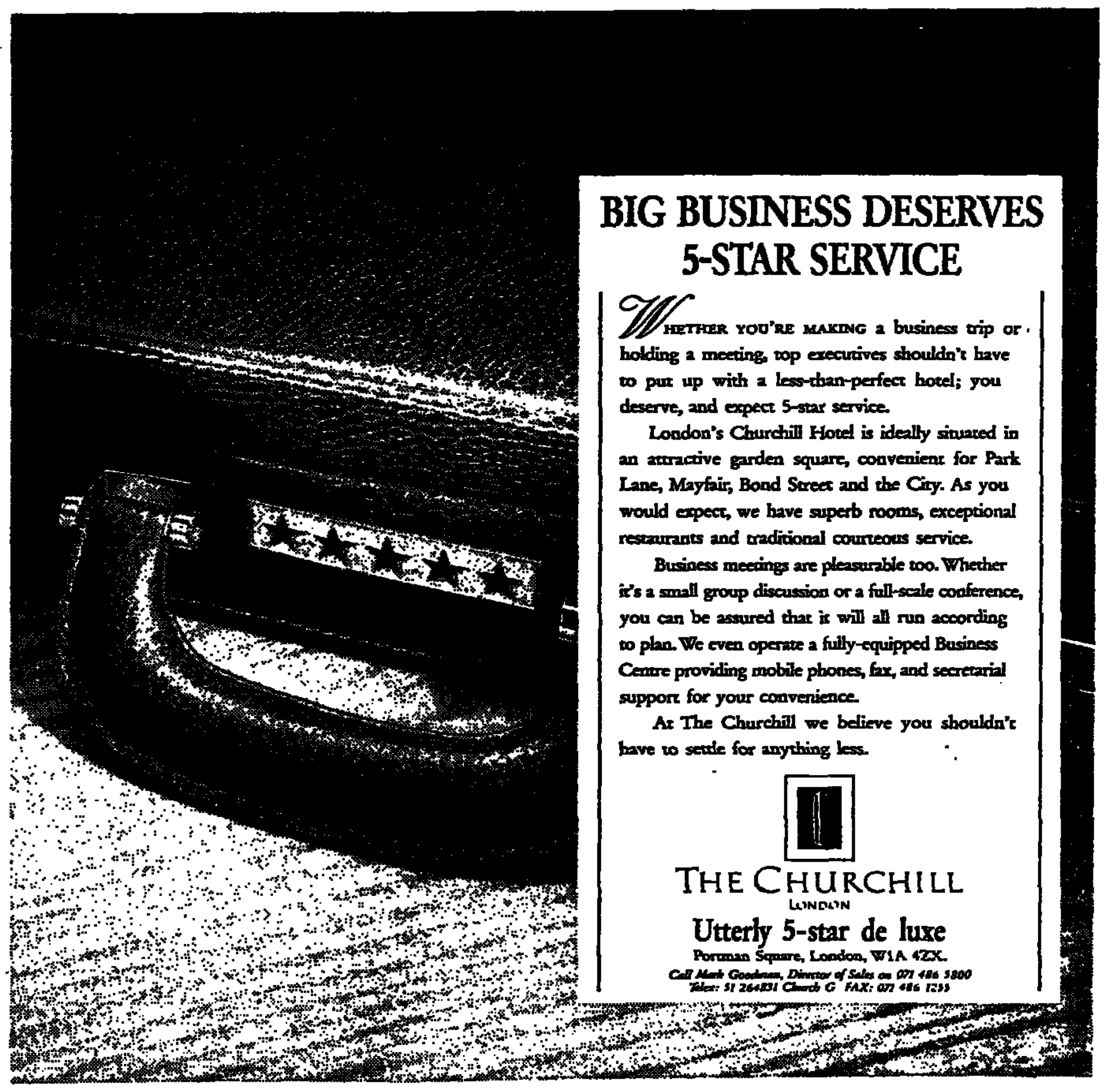
The sale includes more than 390m short tons of saleable coal reserves and last year revenues were $380m from 14.1m tons, mostly for US power generation.

Mr Philip Lambert, analyst with Kleinwort Benson Securities, pointed out that BP originally was expected to raise about $600m from the sale of its coal assets, including those in Australia and South Africa as well as the US.

"Whereas BP received more than expected for Mingo Logan, the proposed price for the rest of the US coal assets is marginally below expectations," he said. "But BP must be very happy with the overall total raised."

Wace purchase

Wace Group has acquired Graphic Warehouse, a Chicago-based graphic art's services company, for an initial consideration of $1.6m (£945,000). This will be satisfied by the issue of 130,332 ordinary shares and $800,000 cash.



UK COMPANY NEWS

Results expected to show that cashflow targets are being beaten

Reedpack management reaffirms flotation plan

By Maggie Urry

REEDPACK, the paper and packaging group which in 1988 was bought out from Reed International by its management, yesterday reaffirmed its plans to float on the stock market next year if market conditions are favourable.

Mr Peter Williams, chief executive, implicitly denied rumours that the group was in discussions with Svenska Cellulosa (SCA), the Swedish paper group, which would lead to a takeover of the British company.

He said that the group regularly received bid approaches from companies, but no deal had been done.

He pointed out that as a private company Reedpack could not succumb to a hostile takeover.

However, Reedpack has been talking to SCA about building a new £200m newsprint machine at its site in Aylesford, Kent, which would use recycled paper as its raw material.

SCA could become a partner in the project, which is planned as a joint venture. Reedpack had been studying the project as a 50:50 venture with Daishowa Forest Products, the Canadian subsidiary of the Japanese paper company.

However, it is thought that Daishowa may decide not to go ahead with its involvement.

Reedpack, which was bought out for £603.6m, is to release annual results next Monday. These are expected to show that the company is beating its bankers' targets on cashflow and is close to targets for profits, in spite of the sharp rise in interest rates since the buy-out.

Mr Williams said there was no need for a refinancing of debt, which has remained high because of Reedpack's continuing high rate of investment.

Covenants have been renegotiated with bankers to cover the next three years, but terms and conditions of the debt are unchanged, Mr Williams said.


Peter Williams – no takeover talks with Svenska Cellulosa

Marginal slip to £1.5m at British-Borneo

By Steven Butler

BRITISH-BORNEO Petroleum Syndicate, the oil investment company which has returned to oil exploration in the past year, yesterday reported a 4.9 per cent fall to £1.46m in net earnings in the year to end-March.

Mr Alan Gaynor, managing director, said the company had exceeded its targets in the past year of acquiring interests in oil and gas exploration prospects, and that an ambitious drilling programme would be pursued.

Earnings per share fell from 34.0p to 32.4p, and the full year dividend was unchanged at 24p.

British-Borneo aims to use income from its investment portfolio of shares in other oil companies to pursue tax-efficient oil exploration and to fund a dividend while an exploration portfolio matures.

The shift in activities is reflected in the accounts. Investment income rose from £1.6m to £1.79m, while profit on dealing activities rose from £483,612 to £1.41m.

About 80 per cent of the company's assets consist of shares in Shell and BP, which are held as trading assets. British-Borneo is able to produce a cash flow from selling the shares gradually, and write substantial capital gains tax off against exploration expenses.

Mr Gaynor said the company's effective corporation tax rate last year fell from 32 per cent to 3 per cent as a result of the start up of exploration spending. These tax advantages are also not limited to spending in the UK.

Reflecting these activities, administrative expenses rose from £167,078 to £735,446, while consultant fees rose from £37,258 to £569,059.

The company last year acquired interests in three UK offshore exploration licences through a Government-sponsored licence round.

Interests in 10 leases in the US Gulf of Mexico were acquired in September, as well as interests in two exploration permits in Italy, which are operated by Sovereign Oil and Gas, the UK independent oil company.

The company has set up offices in London and Houston to manage these interests.

WTA may not gain admission to the FT-SE 100 index

By Maggie Urry

WIGGINS TEAPE Appleton, the paper company whose shares are expected to start trading on Friday following its demerger from BAT Industries, might not join the FT-SE 100 share index at the next review date.

The organisers of the index put out a statement yesterday dampening expectations that WTA would automatically join the list of leading stocks. Analysts said yesterday that if fund managers did not expect WTA to be included in the index this would be a blow for the shares.

The constituents of the index will next be reviewed on June 20 and WTA would need a share price of between 215p to 220p to have a sufficient market value to ensure inclusion in the index given current levels of the stock market.

However, analysts are predicting an opening share price of around 200p, or even less.

This price would give WTA a market capitalisation of £988.6m, which would be greater than some of the stocks in the FT-SE 100 index such as Taylor Woodrow, BPB Industries, and Carlton Communications.

But under the rules governing new entrants to the index, new stocks need to have a market value within the top 90 companies to force their way into the index. Alternatively, if the market value of one of the current constituents falls to below that of the 110th largest company, that stock would fall out and WTA could replace it.

These rules are intended to stop large numbers of changes each quarter. The next changes to the FT-SE 100 take effect on July 2.

WTA shares are expected to join the FTA All-Share Index early in June, by filling the first vacancy occuring after May 31.

Mecca seeks buy-out for London casino operation

By David Churchill, Leisure Industries Correspondent

MECCA LEISURE is negotiating with the management of its troubled casino division for a buy-out of the four London casinos to help reduce its debt burden.

The price being sought by Mecca is not being revealed at this stage, although previous estimates had suggested that it would want up to £85m for the casinos.

However, this is seen by City analysts as an optimistic figure in the current depressed state of the casino business in London.

The four casinos involved in the possible buy-out are the Connoisseur, Victoria, Gloucester, and Maxims clubs. The Victoria is London's largest casino.

Earlier this year Mecca sold the Clermont Club, one of its top London casinos, to the Bally Corporation of the US for £30m.

Mr Alan Goodenough, managing director of the casino's division, is understood to be giving up the executive control of the London casinos while the buy-out negotiations are taking place.

The problems with Mecca's London casinos stem from a dearth of free-spending gamblers from Middle East countries in the past year, partly as a result of the rise of religious fundamentalism inhibiting 'high rollers' from coming to Britain.

The squeeze on consumer spending has also hit the small-time gambler in London, although less so in the provinces.

Mr Michael Guthrie, Mecca's chairman, said last night that Mecca's provincial casinos were not for sale.

Mecca is seeking early progress on the buy-out talks as it is keen to start realising assets as soon as possible to help raise £250m to reduce its debt burden.

It was this high debt burden which depressed Mecca's results at the beginning of April and led to a down-rating of most leisure shares.

Mecca has already announced it is seeking up to £100m for its 16-strong Character Hotels chain and is looking for buyers for its Sweeney Todds and Prima Pasta branded restaurant chains.

Rechem setting up joint waste venture in Italy

By John Thornhill

Rechem, the waste disposal company, is planning to set up a joint venture in Italy to build and run an incineration plant for the destruction of hazardous wastes. The project could involve an investment of about £12m.

The plans, however, are still at an early stage although Rechem has signed an agreement with Ecodeco, an Italian waste disposal company, taking an option to invest in an equally-owned plant.

The plans now depend on Ecodeco finding a suitable site and winning regulatory approval.

Rechem has long made it clear that it wanted to invest in an expansion of its core activities overseas.

Given the size of the potential investment, the deal will be subject to approval by Rechem's shareholders.

Ritz Design shows 26% improvement

In spite of a £587,000 rise in interest charges to £742,000 Ritz Design Group achieved a 26 per cent increase in profits to a record £2.05m pre-tax for the year to March 31.

Turnover of the group, a designer and manufacturer of ladies' clothing which has Marks and Spencer as its principal customer, rose from £23.99m to £33.19m and at the trading level profits expanded by £1m to £2.79m.

Tax accounted for £720,000 (£567,000) and earnings emerged at 14.7p (11.4p) per 5p share. A final dividend of 2.67p makes a 4p (2p) total.

Mr Michael Bancroft, chairman, said it was the fifth consecutive year under the present management that the group had achieved record increases in results.

He said the current year had started well and that the group was committed to growth both organically and by acquisition.

NEWS IN BRIEF

HAMPDEN HOMECARE: Mr JP Goldstone, chairman, told annual meeting that following a further 13 weeks' trading following the publication of the report and accounts the results achieved so far do nothing to dispel the caution he expressed earlier. He was optimistic that new stores being opened in the Irish Republic would make a significant contribution to the business.

IMI is expanding its fluid power operations in eastern Europe in readiness to help re-equip the bloc's outmoded manufacturing plant. It had recruited a team of East German sales engineers and was setting up a distributor network throughout the area.

LOVELL (GF) has changed its name to Albrighton following approval at an extraordinary EGM.

PFG HODGSON Kenyon International has acquired R. Piccioni and its Piccioni (Masonry) subsidiary for £504,250, satisfied as to £390,150 cash and 75,563 new ordinary shares. Piccioni, a West Midlands-based wholesaler of monumental masonry, made pre-tax profits of £13,893 on £1.71m turnover in the year to March 31 1989.

NEWS DIGEST

Wickes warns of downturn

By John Thornhill

WICKES, the DIY retailer and building materials company, warned at yesterday's annual meeting that it expected first half profits to be lower than last year's £15m due to difficulties at Hunter, the timber merchant it acquired in 1988.

But Mr Henry Sweetbaum, chairman and chief executive, added that the continued strong performance of its retail businesses and reduced cost base should enable it to recover lost ground in the second half.


Henry Sweetbaum: chairman

He said slowing consumer demand and the collapse of the new housing market in the UK had adversely affected Hunter, leading to a fall in sales and profits. Wickes's shares slipped 5p yesterday to 185p.

Centreway Trust declines to £0.85m

Centreway Trust, the Birmingham-based development capital group, reported a setback from £1.05m to £849,000 in pre-tax profits for the year ended December 31. This was in spite of an improvement in turnover from £19.58m to £23.79m.

Gross profits rose from £4.75m to £5.5m and operating profits from £1.17m to £1.37m, but a lower contribution from business services – £373,000 against £548,000 – and a jump in net interest payable from £115,000 to £520,000 were the main reasons for the downturn.

Tax took £13,000 (£110,000) and minorities £432,000 (£536,000), leaving earnings per share unchanged at 6.5p. The dividend goes up from a total of 1.5p to 3p with a proposed final of 2p.

There was an extraordinary credit of £94,000 (£901,000 debit).

Health care move lifts Brewmaker

Brewmaker announced pre-tax profits of £496,733 for the year to January 31 against a restated £130,439.

Included in the result was an exceptional £154,822 credit (£68,000 debit).

The USM-quoted manufacturer of home-brewing supplies and soft drink concentrates also imports cat litter and, more recently, has moved into the health care industry.

A recommended final dividend of 0.1p makes a 0.2p (nil) total. Earnings per share emerged at 0.55p (0.17p) basic and 0.52p (0.15p) fully diluted.

Turnover was £5.64m (£5.19m).

Petaling Tin declines 77% to M$2.24m

Petaling Tin, the London-quoted Malaysian tin mining concern, reported a 77 per cent decline in operating profits from M$9.62m to M$2.24m (£492,000) in the six months to April 30.

Turnover was down from M$19.56m to M$2.54m. Output of tin concentrate dropped from 768 tonnes to 544 tonnes and sales declined from 1,173 tonnes to 198 tonnes. The average price received fell from M$16,052 to M$12,185 per tonne.

Attributable profits were down at M$662,000 (M$5.32m) and earnings per share came out at 7 cents (53 cents). There is no interim dividend this time (60 cents).

Interest boost for City of London PR

City of London PR Group, the USM-quoted public relations consultancy, returned profits of £911,000 pre-tax for the year to end-March, an improvement of 10 per cent over the previous year's £830,000.

Turnover was unchanged at £1.08m and operating profits slipped from £544,000 to £473,000. The pre-tax result was buoyed by a £152,000 increase to £438,000 in interest income.

Earnings worked through at 7.75p (8.08p). A final dividend of 1.86p makes a 2.81p (2.25p) total.

FINANCIAL TIMES SURVEY

From Third World famine to the AIDS epidemic, the world still faces a gamut of health challenges.

Alan Pike explains the Health for All initiative, involving 167 western and developing countries and the WHO, which is working for better world health by the year 2000

WORLD HEALTH CARE

In search of longer life

THE WORLD is on a 10-year countdown targetted to achieve "Health for All".

This does not mean all disease will disappear by the year 2000, or that resources devoted to health care in Africa will equal that of the US by the turn of the century.

But, even so, the goals of the Health for All campaign, involving all 167 member states of the World Health Organisation, are highly ambitious.

A central pillar of Health for All is to provide adequate and essential health provision, and to reduce inequalities within and between nations by at least 25 per cent by 2000.

To succeed, the campaign will need not only the political backing of governments in both industrialised, and less developed countries, but also immense financial backing. Much will depend on whether the "peace dividend" can in part be a "health dividend".

In the US, where health spending leads the world, the death rate from heart disease among middle-aged men is 466 per 100,000 for whites and 656 per 100,000 for blacks.

And in Europe, there is still a 20-year difference between countries with the best and worst life expectancy levels. Infant mortality rates in parts of the Continent are up to 17 times higher than in others.

In developing nations, however, issues are more basic, and involve not just the provision of elementary services, such as safe water and sanitation, but also fragile economies and the burden of foreign debt.

Disease, pollution, poor nutrition and rising health care costs, against a background of international economic pressures, are all formidable barriers to the creation of a healthier world with a more even spread of health care resources.

Many of the 40m people who die around the world from disease each year could be saved. The WHO calculates that 200m people are likely to die prematurely from preventable causes in the 1990s.

Most of these deaths will be in developing countries where, each year, 14.6m children under five years of age die from curable or preventable illnesses. More than 11,000 children die every day from dehydration caused by diarrhoea, and 8,000 from conditions which involve simple immunisation.

Premature death is not only rife in developing countries.

The world's biggest single killer is cardiovascular disease which causes 12m deaths a year. Another 4.8m die from cancer.

Medical experts say changes in lifestyle and diet, and the eradication of tobacco smoking, would halve the toll.

As a result, a significant part of the drive for improved health in the west involves encouraging people to avoid unnecessary health risks.

Health care expenditure ranges from an annual $5 per person in the poorest countries, to an average $460 in western Europe and $1,900 in the US.

In western countries, the main concern is with containing spiralling demand for better health care and the associated growth in its cost. This is leading governments to examine health care financing to see whether savings can be made without cutting standards.

The UK Government, in response to years of demands to inject more money into the centralised, cash-limited National Health Service, next year plans to restructure the service on managed-market principles.

The Government hopes to increase hospital efficiency and lower costs by replacing specific contracts with general grants.

At the same time, overseas observers, particularly in the US, see the NHS as a model of cost control which provides adequate universal health care.

Health care consumes about 12 per cent of GDP in the US – almost double the UK and Japanese levels – and is predicted to climb to 15 per cent this decade.

Health insurance premiums rose sharply in the US in the 1980s. Recent attempts by some companies to reduce employee cover have provoked industrial disputes.

The international debate about health care finance is less about the relative merits of private and publicly-funded systems – there is a substantial amount of public cash in the most apparently private of systems – than on how to control costs and increase efficiency.

Professor Alain Enthoven, at the graduate school of business at Stanford University, promoted the managed market system in a comparison of the US and European health care systems in a report recently published by the OECD.

He said a free market in health could not produce either equity or efficiency. Public sector monopolies, on the other hand, also had problems – including the lack of real incentive to improve efficiency.

A desirable situation would be to separate demand from supply "so that an independent demand side could present the desires of consumers and taxpayers to the providers, set standards, measure performance, and make choices," Prof Enthoven said.

The UK Government hopes that the NHS reforms will work towards this by turning public health authorities from providers of health care into organisations which will purchase it from hospitals operating as semi-independent suppliers.

Another way health authorities are trying to contain costs is through reducing spending on pharmaceuticals. At the same time, drug companies are trying to counter this by mounting a vigorous campaign to convince the public that this is not the right approach.

Mr Richard Kogan, president of Schering-Plough and chairman of the US Pharmaceutical Manufacturers Association – which has member companies supplying half the prescription drugs used in the western world – said in a lecture last month that the industry saves billions of dollars in costs resulting from disease. He said drugs should not be seen as part of the health care cost problem, "but instead is a vital part of the solution."

Mr Kogan defended the need for the pharmaceutical companies to make profits, given that a new product cost more than $200m over about 10 years to release onto the market. This year alone, the industry would spend an estimated $8.2bn on product development.

"And we are making these medicines available at prices that – after adjustment for inflation – are actually lower than 1967 prices," he said.

In the 1990s, the industry would spend about $130bn dollars on research and development. This compares with the $25bn the US spent to put a man on the moon, Mr Kogan says.

The political and social changes in eastern Europe are likely to offer marketing opportunities for western pharmaceutical companies and hospital equipment suppliers.

Expenditure on health care in the eastern bloc countries is relatively low, running at 2-3 per cent of GDP compared with levels of 6-9 per cent common in western Europe, but demand is expected to grow if the former communist economies expand.

The east European countries have not achieved the same improvements in life expectancy and other health indicators as have those in western Europe. This leaves scope for transfer of health promotion advice from west to east.

Dr Daniel Pierotti, regional officer responsible for the WHO's family planning programme in Europe, is putting together a support package for post-revolution Romania.

Between 1967 and the overthrow of the Government last year, abortion and contraception were banned and Romanian women were encouraged to each bear five children. As a result, between 500 and 600 women a year died from illegal abortions – by far the highest mortality rate in Europe.

The anti-abortion law was repealed after the revolution, but Dr Pierotti says there remains a need for western help in the next 4-5 years.

Ageing populations arising from demographic changes will put additional pressure on the health systems of both developed and developing countries into the 2000s.

By 2000, a majority of the world's population aged 60 and over will be living in developing countries, where pressures on health care systems are already intense.

The AIDS epidemic is another factor which is bound to have an untold impact on health care systems.

It has been suggested that 6m people may have AIDS by the year 2000, but there is no concrete basis for such calculations and they could prove to be underestimates.

In the UK, the Institute of Health Services Management says coronary heart disease, accident prevention and cancer are the leading areas in need of attention.

In all cases, health improvements will not take place in isolation from other economic and social factors.

At the recent WHO assembly in Geneva, Dr Hiroshi Nakajima, the director general, stressed that health issues were "inextricably related to issues of development and social equity."

He expressed the hope that the easing of tensions between East and West would create a "health dividend" through money saved in defence expenditure.

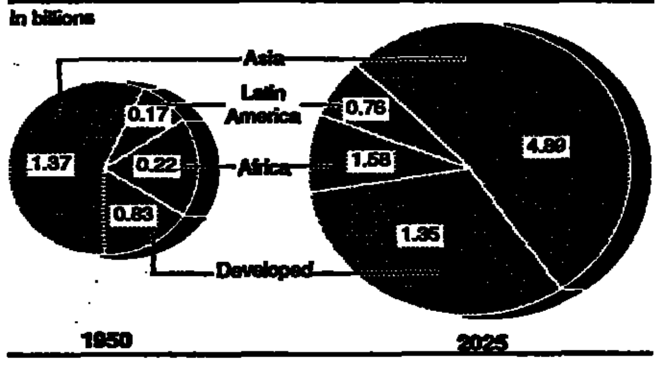
By western standards, public health programmes in developing countries such as Ethiopia (far left) can be staged inexpensively. In comparison, medical research in western nations (second left) costs billions every year.

IN THIS SURVEY

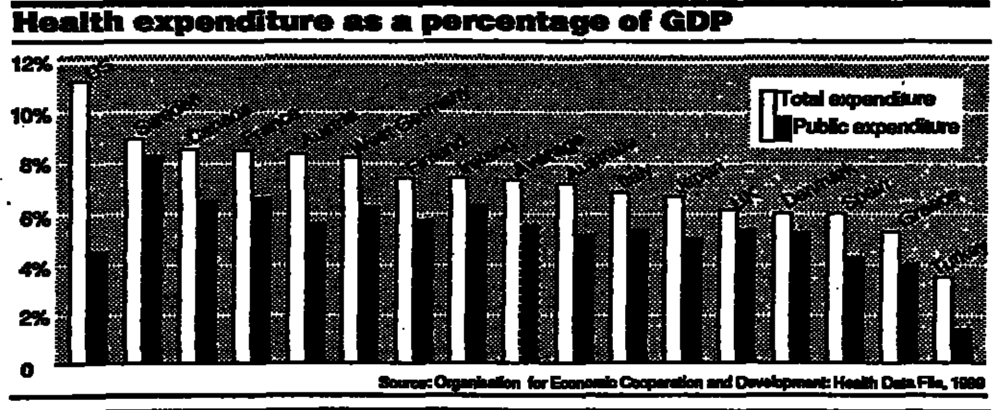
Hiroshi Nakajima

Population distribution

In billions



Health expenditure as a percentage of GDP



Source: Organisation for Economic Cooperation and Development: Health Data File, 1989

Developing countries face almost insurmountable problems

The odds stack up

CIVIL UNREST, natural disasters and overseas debt heavily interfere with the massive health problems of developing nations.

A spokesman for Panama addressed the recent annual assembly of the WHO in Geneva about the plight of several countries comprising the Central American Sub-Region Health Sector.

He said: "During the 1980s, living conditions in Central America have been worsened by violence. More than 150,000 people have died in armed conflicts. There are nearly 500,000 misplaced persons in the region.

"Our resources are exhausted by so much war. Our people are devastated by unemployment and poverty which has increased, particularly among the very poor. Per capita income has fallen by about 20 per cent.

"These problems have been made worse by drought and earthquakes. And then there are our fiscal problems of debt and debt servicing.

"Only about 50 per cent of our people have access to medical services and good drinking water. Infant mortality and maternal death rates are high.

"AIDS, other sexually transmitted diseases and tuberculosis are all increasing. More that half of the child population is affected by malnutrition.

"Although our countries are committed to the goal of Health for All by the year 2000, our resources are diminished even for low-cost programmes."

This was a forceful illustration of the scale of problems which have to be solved if health standards in developing countries are to improve.

In the 1990s, about 30m people, mainly in developing countries, will die from tuberculosis, which has a simple cure.

At the same time, diarrhoeal diseases, linked with dedydration and malnutrition, will kill 40m children. Oral rehydration therapy could prevent a majority of these deaths.

The maternal mortality rate in developing countries is more than 14 times as high as in developed ones. Infant mortality is five times higher. The majority of women who die every year from complications associated with pregnancy – 494,000 out of 500,000 – are in developing countries.

Some progress has been made during recent years in raising health standards in the Third World. About 60 per cent of children in developing countries are now immunised by their first birthdays, compared with only 5 per cent in 1974. Many more places have access to safe water supplies.

But these improvements have generally benefited urban populations more than rural ones. The present challenge facing governments and other agencies is to improve standards in rural areas – and maintain them in the towns as rapid urbanisation puts increased pressure on services.

Population growth exerts vast pressure. The current world population of 5.3bn, of whom about 1bn live in poverty, is expected to grow by another 1bn by the year 2000 – an increase of 3 people a second.

More than 90 per cent of this growth will be in developing countries. The UN predicts the world's population will double – and possibly triple – in the 2000s.

Booming world population will spearhead a dangerous escalation in pollution.

The UN Population Fund's annual State Of The World Population report says: "One of the clearest lessons of the last two decades of work in population is that investments in human resource development – for example, improvements in women's status, access to education, health and the means of family planning – not only improve the quality of life, but are also the best and quickest way to reduce the population growth rates. By opening up options for the present, they open up options for the future."

Alan Pike

Alan Pike on the AIDS menace of the 1990s

Facing statistics

THE FULL EXTENT of the threat to world health presented by AIDS remains impossible to quantify but is potentially disastrous to neglect.

Specialists predict that the 1990s will see far more serious manifestations of the problem than in the 1980s.

The message of campaigns being run by governments and other organisations is that there is no room for complacency, even in geographical areas or among groups where the current risk level appears small.

At the beginning of this year, 203,599 cases of AIDS had been reported in 152 countries.

In many instances, however, reporting is not reliable and it is estimated that the actual number of AIDS cases worldwide is around 600,000.

The statistics do not take into account undetected HIV infection which will develop into AIDS in years to come.

The World Health Organisation estimates that there are between 6m and 10m people in the world infected with HIV. In Europe the number of HIV-infected people has been estimated at 500,000.

The WHO has developed two projections for the possible course of AIDS in the 1990s.

One, based on the estimates of HIV infection and the current levels of progression from HIV to full-blown AIDS, projects that the total number of AIDS cases will exceed 1m next year.

A longer-term projection, which involves estimating the number of new cases of HIV infection likely to occur in the future, suggests that there could be three times as many new cases of HIV infection in the 1990s as in the 1980s.

On the basis of these estimates, some 6m people may develop AIDS by the year 2000 – with half of those developing AIDS in the 1990s having been infected in the 1980s.

Some sources suggest these estimates are conservative.

The opportunity for the HIV virus to spread with the opening up of eastern European countries is a preoccupation among health officials in Europe.

Eastern Europe, including the Soviet Union, has a remarkably low level of reported instances of AIDS. Only 315 cases have been diagnosed – a third of them in Yugoslavia – compared with 32,000 in western Europe.

Since the revolution in Romania, however, it has become clear that although this country's figures are high by east European levels – 74 AIDS cases and 747 instances of HIV infection – the authorities have severely understated the true position.

Until this year, blood used for transfusions in Romania was not systematically tested for HIV. A large number of cases of AIDS and HIV infection, often in children, has resulted.

WHO reports say the number of known AIDS cases in

In the UK, 1,807 of the 3,247 AIDS cases reported at the end of last month had died.

Romania "may represent only a fraction of the total size of the epidemic in that country."

This does not lead WHO officials to believe that the low level of recorded AIDS cases elsewhere in eastern European countries – only 1 per cent of the European total – is equally understated.

Travel restrictions under the former communist regimes are likely to have inhibited the spread of the virus.

The results of a widespread testing programme of more than 47m people in the Soviet Union published earlier this year support its low level of reported AIDS and HIV cases.

WHO officials are concerned that increased travel to and from eastern Europe may stimulate a new wave in the AIDS pandemic.

For example, in Poland and Yugoslavia, most of the recorded cases of HIV infection are among intravenous drug users, and there is anxiety that these numbers will grow with more drug use as borders open.

Plans are being developed to help eastern European governments strengthen their programmes to prevent and control AIDS.

In the UK, 3,247 AIDS cases had been reported by the end of last month. Of these, 1,807 had died. In addition, there are more than 13,600 known cases of HIV infection.

Homosexual and bisexual men account for about 80 per cent of the UK's AIDS cases, although the percentage increase in this category has declined in the last year.

Heterosexual infections make up only 6 per cent of the UK total but the number of cases is increasing. The global picture shows the majority of AIDS cases are being spread by heterosexuals.

The UK Government and the Health Education Authority are making a concentrated effort to emphasise the dangers of AIDS to the heterosexual community.

This reflects concern that heterosexuals have not shown the same willingness as gay men to adopt safer sexual practices, giving rise to the risk of further growth in the rate of infection.

AIDS IN EUROPE

Country	Reported cases to Dec 89	Estimated rate per million population
Czechoslovakia	19	1.2
Denmark	518	101.6
France	8883	158.3
East Germany	19	1.1
West Germany	4308	70
Greece	277	27.7
Hungary	32	3
Italy	5307	92.1
Netherlands	1074	72.1
Poland	28	0.7
Spain	4633	118.2
Sweden	380	44.7
Switzerland	1159	175.6
UK	2830	49.4
USSR	26	0.1

Source: World Health Organisation

ICI researchers at Alderley Park

A worker at Nippon Glaxo's Imaichi factory in Japan

DRUGS

Profit-making in the balance

THE CONSUMER has become the unwelcome visitor knocking at the door of the world's lucrative \$150bn-a-year pharmaceuticals industry.

Although drugs are usually categorised as consumer items, people generally have no control over the medicines they take and the way they pay for them.

This is changing, however, as governments bring the consumer into the equation in order to establish a price mechanism in the industry as a means of restraining rising costs.

People are being given more information about their medical treatment and new pricing arrangements are being set in motion.

The drugs industry, including large pharmaceutical companies like Glaxo of Britain, Merck of the US and Bayer and Hoechst of West Germany, are caught in the middle of the debate but in many cases are unsure of how to respond.

The pharmaceuticals sector is among the most profitable of all production industries.

The medical profession's mystique is associated with the lack of direct consumer involvement. Most people are only too happy to trust doctors with the prescription of medicines.

The public is also discouraged from taking an interest in costs when the bill for most medicines is picked up by governments or state-backed insurance agencies, such as in Europe.

Because of this, the drugs industry has established regular price rises by creating a "cost plus" culture by isolating consumption from payment.

The industry describes escalating costs as a result of the sector's expensive research and development (R&D) costs and the absence of price mechanism.

A typical pharmaceutical company spends 10-15 per cent of turnover on R&D: much more than other high-tech businesses such as aerospace and telecommunications.

Increasingly stringent safety regulations enforced by governments is putting pressure on R&D spending.

This has resulted in the need for more time and money for complex development trials before products are released onto the market.

Better management methods and more accurate selection of therapeutic areas for study have been nominated as means of reducing the R&D burden and of improving the sector's growth prospects.

But the range of products required to treat the panoply of health problems, and even the difference between individuals' reaction to conditions and various medications, also makes R&D – and regulation – costly and difficult.

Prices for drugs vary accordingly. A year's supply of a new research-intensive product can cost about the same as a small car. In contrast, off-patent medicines, which are subject to a large amount of competition, have prices comparable with boiled sweets.

In Europe, prices are generally controlled by these complex agreements between governments and drug companies. This involves governments guaranteeing higher prices to companies which make investments in their countries.

Prices for the same medicines differ across the Continent, with average prices in West Germany commonly twice as high as in low-price countries such as Spain and Portugal. (see table).

However, these cost plus pricing structures are running into trouble as governments come under pressure to cut health expenditure.

This is happening in Europe as well as with Medicaid, the state-financed authority in the US.

Drugs bills are one of the easiest targets for cost cutting.

The governments of Britain and West Germany have spent two years introducing measures to cap rises in drug spending. In the US, politicians such as Senator David Pryor, chairman of a special Senate committee on ageing, have hit out at rising drug prices and linked this with the high profits of the industry.

The Japanese Government has instituted tough cuts in drug prices which have led to cries of outrage from drug manufacturers.

Doctors have also been drawn into these cost cutting measures. For example, Mr Kenneth Clarke, the UK Health Secretary, is keen for British GPs to adhere to indicative drug budgets, to impose upper limits on drug spending.

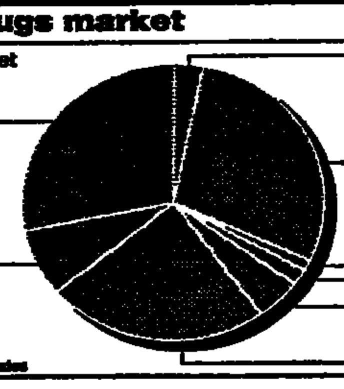
While this will help dissolve the cost plus economy, even the drugs industry is acknowledging the need for more public involvement.

Ciba-Geigy, the large Swiss pharmaceutical company, has taken the lead, by encouraging debate about side effects of medicines.

The general feeling, however, is that it will take many years for a real shift in attitudes.

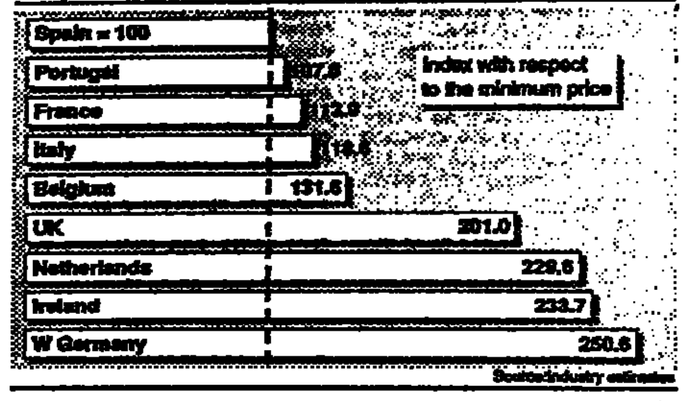
Peter Marsh

World drugs market



Source: industry estimates

Drug price index, EC



Source: industry estimates

Anti-smoking campaigns still have ground to cover

Tobacco moves into a corner

THE BATTLE for better health has its enemies and, in the eyes of health promotion professionals, there are few more evil than tobacco.

Cigarette smoking is the largest preventable cause of premature death in most countries. In Europe alone, between 500,000 and 800,000 people die each year as a result of smoking-related conditions.

Smoking is also linked to about 90 per cent of fatal lung cancer, to 75 per cent of deaths caused by chronic obstructive lung disease and to 25 per cent of fatal coronary heart disease.

The European region of the World Health Organisation calculates that if present smoking patterns persist, 100m of the 850m people living in Europe will die from tobacco.

Worldwide, assuming there is no increase in consumption, the WHO expects a death rate of 10m a year until the middle of the 21st century.

A significant change in recent anti-smoking campaigns has been the emphasis on passive smoking. Although challenged by the tobacco industry, there is an emerging view that exposing non-smokers to air polluted with tobacco smoke is a health risk.

An increase in smoking bans in workplaces, public buildings and on public transport has resulted.

Dr John Roberts, the manager of the WHO's European "Tobacco or Health" campaign, and his colleague Dr Tapani Piha, collect examples of promotional material which health authorities around the Continent are using to convince the public of the scale of the tobacco problem. One cartoon in their Copenhagen office shows jumbo jets crashing into ashtrays as a means of showing the contrast between the dramatic, highly-concerned reaction which follows an air crash and the complacency about the much higher death toll from an avoidable disease.

Posters point out that for every 1,000 young male adults who smoke, one will be murdered, six will die on the roads

For every 1,000 young male adults who smoke, 250 will be killed by tobacco

and 250 will be killed by tobacco.

"We are trying to market a product called health," says Dr Roberts. "Who are our competitors in the market place?

"One is the tobacco industry and we have to market our product against theirs, using the same methods where necessary."

One application of this approach is to compete with tobacco companies to promote at sporting events.

This has led to an agreement that the next summer and winter Olympics will be smoke free, with a ban on tobacco company sponsorship and advertising.

WHO officials hope this will set an example which national teams will follow when they return to their home grounds.

Finland has been particularly successful at reversing the link between tobacco and sport which has arisen from sponsorship, and developed the concept of the No-Smoking Team.

Sports clubs joining the scheme wear official No-Smoking logos on their kit and include health promotion in their training activities.

At last month's world congress on smoking and health in Perth, Australia, Dr Hiroshi Nakajima, the WHO director general, described the Tobacco or Health programme as a campaign to protect human beings "against other human beings peddling a dangerous drug."

The WHO argues that, like other drugs, a reduction in consumption can only be achieved if there is a parallel reduction in production. This causes conflict with some developing countries where tobacco production is a significant source of income.

But WHO officials say that many of the medical advances which technology is making possible in developing countries will be eliminated if tobacco consumption there grows to western levels.

"Money which people stop spending on cigarettes is likely to be diverted to other leisure activities and services ranging from holidays to health insurance," says Dr Roberts.

"I believe it would be in the commercial interests of some of these sectors to sponsor anti-smoking campaigns."

Dr Roberts would like all governments to spend the equivalent of 1 per cent of tobacco sales on anti-smoking campaigns.

Australia is an example of a country which is beginning to link health promotion expenditure to tobacco sales.

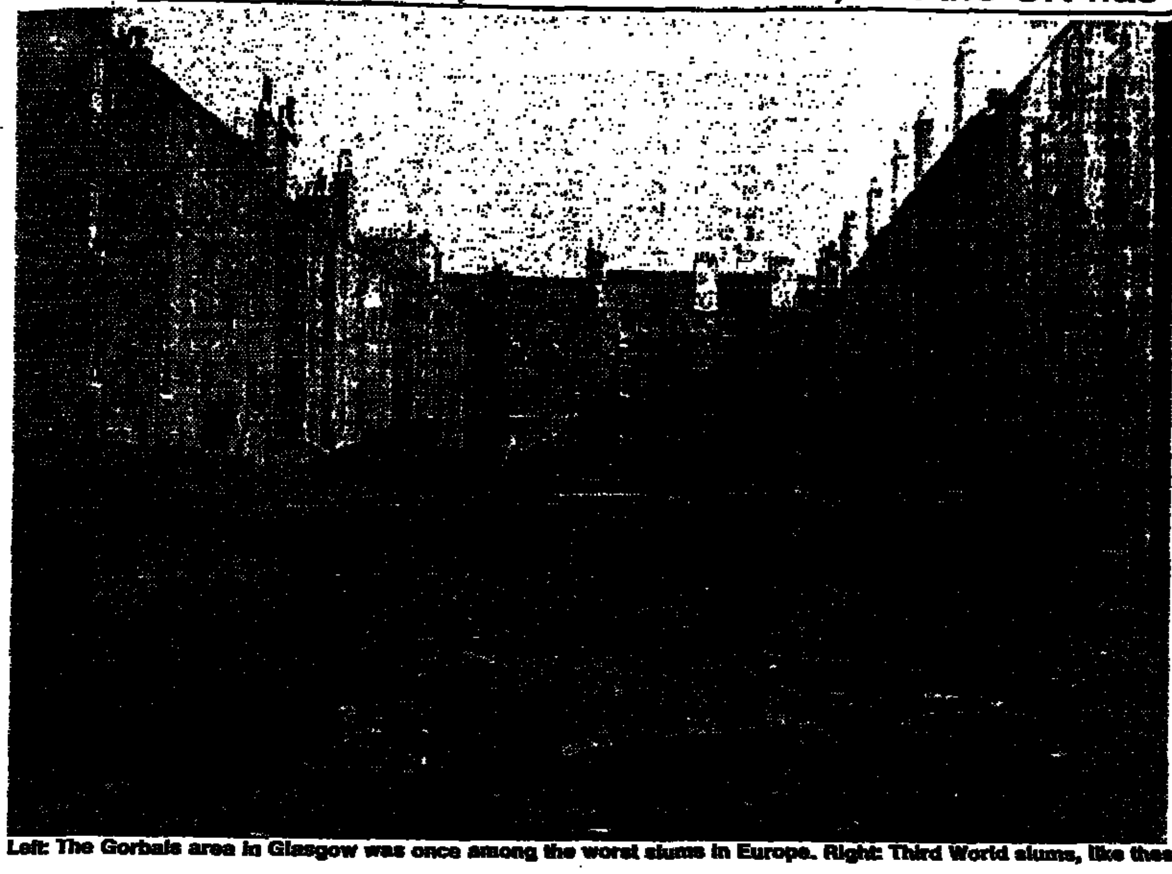
Dr Roberts also wants health employees to see themselves much more as "health promotion reps."

"There are 4m nurses in Europe. But they have been inclined to see their role as restricted to curing people rather than promoting better health," he says.

As a starting point, the WHO has called on all health service staff to stop smoking and make health services premises – hospitals, doctors' surgeries, dentists, opticians and pharmacies – smoke free by 1993.

Alan Pike

Scotland has a poor health record, but the UK has a lot of expertise to offer less developed nations, explains **Alan Pike**



Left: The Gorbals area in Glasgow was once among the worst slums in Europe. Right: Third World slums, like these in New Delhi, also create massive health problems (see story right)

Glasgow joins European health campaign

WHILE GLASGOW exhibits its artistic splendours to visitors as the European Capital of Culture, it is trying to improve its dubious position in the international health league.

The city is one of 31 around Europe taking part in a Healthy Cities project which aims to push health issues higher on social and political agendas to improve the quality of life for their populations.

Glasgow rates poorly against the collection of cities. Its health record is worse than the rest of Scotland, a country with one of the worst records in the developed world.

In spite of a more than 100 years of positive public health projects, Glasgow's death rates from lung cancer and heart disease remain among the highest in the world. If the city's mortality level among under-65 year olds came down even to the Scottish average, there would be almost 1,000 fewer deaths each year.

Inequalities in the city's health standards are illustrated dramatically.

People in its most deprived areas are 2½-times more likely to die before they reach 65 than those in the most affluent suburbs.

This link between social status and ill health is even more striking in the case of some specific illnesses.

For example, there is a fourfold difference in levels of lung cancer.

Children in Glasgow's inner city and peripheral estates are 50 per cent more likely than others to have low birth weights, while in one of the city's most deprived areas almost a quarter of all babies are admitted to hospital before their first birthdays.

Babies in poorer areas are less likely to receive full primary immunisation.

Glasgow is also unhealthy in terms of personal habits.

It is well above the national average for smoking and alcohol consumption.

In addition, Glaswegians have traditionally enjoyed foods high in fat and sugar content.

These factors are also related to social class – 70 per cent of people in deprived areas eat white bread, compared with 25 per cent in affluent ones.

Breaking into this complex mixture of social, cultural and economic problems cannot simply be done by spreading better health slogans. "When people do not have adequate food or housing, it is very hard to address higher needs like persuading them to think about adopting healthier lifestyles," says Mr Andrew Lyon, co-ordinator of the city's Healthy Cities scheme.

"The conventional health promotion agenda can appear almost insulting in such circumstances.

"So the solution has to involve bringing together people and organisations that do not normally work together to tackle all aspects of the issue."

Glasgow's Healthy Cities programme is financially supported by the Greater Glasgow Health Board, Glasgow Council and Strathclyde Regional Council.

But better health is not something which these public authorities can simply force on citizens. The programme will only succeed if it gets public backing.

Mr Lyon and his colleagues are preparing a Healthy City Plan to be submitted to the World Health Organisation later this year. It will be the foundation of Glasgow's efforts to improve health standards.

A draft of the plan stresses the need to establish a new public health tradition in Glasgow, and takes a clear position on the necessity to resolve related social problems.

"Just as the municipal authorities of the previous century attacked ill health of the most vulnerable groups through improvements in living and working conditions, so must we take action to ensure a secure foundation within the city for the basic health resources of adequate income, shelter, food and environment," Mr Lyon says.

"When these basic rights have been addressed, individuals and communities are likely to find it easier and more worthwhile to take action."

In the next year, Glasgow's Healthy Cities project will focus on improvements in the six main areas of community participation, housing, accident prevention, nutrition, women's health and to set up pilot areas to test the Healthy City plan.

To complement this, the health board has adopted a health promotion strategy which contains a series of targets to spearhead campaign. These include achieving 10 per cent reductions in coronary heart disease and cancer death rates in people under 65; 25 per cent reductions in saturated fat intake in Glaswegians' diets; and a 10 per cent cut in adult smoking.

One of the problems the programme faces is the cross-over of health responsibilities between different local and central government departments.

This can mean a department not related to health has to be persuaded to spend heavily in order to achieve uncertain savings in another department's budget in future.

"It is hard to calculate how much poor housing costs the National Health Service," says Mr Lyon. "But it is a very considerable amount."

Britain to help Third World

A RESEARCH programme underway in London aims to tackle some of the leading problems facing developing countries and the world.

One topic is the challenge presented to governments by the urbanisation trends in the Third World. By the turn of the century, 44 per cent of the Third World's population will live in urban areas dominated by slums, shanty towns and squatter settlements.

The programme, launched this month by the London School of Hygiene and Tropical Medicine, has support from the UK Government's Overseas Development Administration.

Other subjects covered by the research, called A New Partnership in International Health, are:

- Child epidemiology: focusing on diarrhoeal diseases and respiratory infections, responsible for about half the deaths in children under five in developing countries.
- Population and health: examining the demographic and social factors behind household inequalities in mortality and the inadequacies of family planning services.
- Ageing: many developing countries, like those in the west, are experiencing growth in the proportion of elderly people in their populations. In India, for example, over-60 year olds will increase by 400 per cent by 2025. The research will look at the implications of this for policy-makers and health planners.
- AIDS in Africa: drawing up guidelines for the control of AIDS and other sexually-transmitted diseases at primary health care level, and developing plans for the control of TB in the African countries worst affected by the AIDS epidemic.
- Tropical disease control: developing training for Third World nationals to take over as principal investigators into methods of controlling tropical parasitic infections like malaria.
- Environmental health: studying the health benefits of water and sanitation and producing programmes for more effective environmental management systems.
- Health economics and financing: health economics skills are in short supply in developing countries and the London School hopes to create a programme which will make a significant contribution to changing this.
- Appropriate technology: identifying and developing appropriate technologies for better diagnosis of infectious diseases in Third World countries.

Alan Pike

HEALTH PROMOTION

Bodyworld for Tyneside

GATESHEAD on Tyneside is hosting an innovative health promotion this year.

The Northern Regional Health Authority is claiming a world first for its ambitious Bodyworld campaign which will run at the National Garden Festival.

The organisers of Bodyworld decided to go further than placing a health promotion stall on the fringes of the festival.

Bodyworld will occupy 1200m² in five exhibition domes, and is expected to be one of the leading attractions for the 2m people due to visit the festival between now and October.

One dome contains a Maze of Life, which visitors will walk through making choices about exercise, smoking, drinking and diet. Another exhibition is called Body Fair.

Set out like an old-style fairground, it will feature attractions like Shoot for Life – a shooting gallery based on alcohol consumption – and distorting mirrors which reflect visitors' dietary habits.

A private hospitality suite will be available to companies wishing to promote health food menus. There will also be sporting demonstrations, displays about the region's health services as well as other entertainment.

Visitors will even be able to use laser disc technology to write the plot of a television-style soap opera in which the characters play risks with their health.

The regional health authority decided to sponsor the project two years ago on the strength of large-scale exposure offered by the national festival. The 40 staff members have received training in health promotions skills as well as public relations.

The authority believes Bodyworld will prove to be a sophisticated, progressive and entertaining way to promote better health practices. It is an experiment in breaking away from established methods of promoting health.

Alan Pike

Computers aid health system efficiency, says **Clive Cookson**

Legwork runs out with IT

HEALTH CARE is lagging behind other service industries in the area of information technology (IT).

Only 2-3 per cent of health care expenditure in most industrialised countries is devoted to computers and associated communications systems. The proportion in the UK's NHS budget last year was just 1 per cent.

In contrast, the banking and financial services industries generally devote 6-8 per cent of revenues to IT.

Hospitals do not have to spend as much as banks on computers, but there is growing support for IT as a means of improving the quality and efficiency of health care around the world.

The UK Government plans to double NHS spending on IT this year and next, although complexities of the systems specification and bidding process may cause some delays.

An additional £127m has been allocated for 1990-91.

This includes £78m for "resource management," £25m for "hospital information support systems" and £24m for general practitioners to buy computers.

As well as increased spending in the NHS, priority will be given to get existing systems working well.

This problem is linked to the purchase of stand-alone computers by many hospitals and health authorities which gave no thought to how they would communicate and exchange data with other computers.

A priority of the NHS's IT programme is therefore to develop standard software and build a communications infrastructure so that the existing systems and new computers can work together.

The first step towards an NHS-wide data network will be to establish a network for the Family Practitioner Service.

By April 1991 this will connect local Family Practitioner Committees to the NHS central register in Southport.

Individual GPs will then be able to connect their surgery computers to the network.

The long-term plan is for the system to extend to hospitals and elsewhere, so that all parts of the NHS can exchange medical, financial and administrative information, subject to safeguards about patient confidentiality.

In the US, where there is no national health service, many individual hospitals and health maintenance organisations are heavily investing in new computer systems.

But even within a single there is often little integration of computers.

Ms Susan Campbell, of Andersen Consulting, a large international health care consultancy, says: "different departments typically use different systems from different vendors to suit their individual needs."

As a result, "sneakernet" is a common means of communication between computers in US hospitals. This involves a person in sneakers – rubber-soled sports shoes – running data from one department to another because there is no electronic link.

Integrated computing systems increase efficiency and productivity, raise the quality of service and help to relieve the pressure of rising costs.

Computerisation of health care, according to Mr Bill Lattimer, who runs Andersen's UK health care practice, helps "find the right balance between cost and quality."

It also reduces the amount of time doctors and nurses spend on routine clerical tasks such as filling in forms and transcribing records.

Computerisation will give hospitals a chance to increase the productivity of nurses during the 1990s when the number of young women – the traditional recruits for nursing – proportionally falls in Europe and North America.

The US Commission on Nursing estimates that there is already a shortage of 200,000 nurses.

"We found that you could save an hour a day for each nurse by introducing a computerised clinical record-keeping system," says Dr Carolyne Davis, a health care consultant with Ernst and Young.

Finally, hospital computers can save lives by reducing the number of errors that are made when medical records are written and transcribed on paper.

Repeat prescriptions, for example, are far more likely to be accurate when they held on a computer.

In the computerised health care system of the future, medical records are likely to be held both on a central database and on "smart cards" – plastic cards incorporating memory and processing chips – which would be kept by individual patients.

Andersen Consulting has set up probably the ultimate demonstration of the potential for IT to transform health care.

The "Hospital of the Future," a permanent exhibition in Dallas, Texas, includes hardware and software from 40 different vendors.

COMMODITIES AND AGRICULTURE

Ireland will provide new source of zinc in Europe

By Kenneth Gooding, Mining Correspondent

IRELAND NOW seems certain to provide a substantial new source of zinc to replace some of western Europe's rapidly-declining output.

Conroy Petroleum and Natural Resources said yesterday the final feasibility study on its project at Galmoy, straddling the border of counties Kilkenny and Laois, showed reserves could support a mine for at least ten years with an output of about 70,000 tonnes of zinc a year.

Senator Richard Conroy, chairman and chief executive, said his company would apply for planning permission almost immediately. He hoped there would be pilot production at the end of 1991 and the mine would be at full capacity a year later.

The mine would produce 85,000 tonnes of zinc annually *for the first two full* years.

But he admitted this was a tight timetable and left little room for manoeuvre.

Kilborn Engineering of Vancouver, which carried out the study, estimates the capital cost of the Galmoy mine would be US$65.6m.

It should break even, on a *cash operating* cost basis, at a zinc price of 27 cents a lb, including smelting, refining and transportation charges, which would make Conroy among the lowest-cost producers of the metal.

Last year zinc averaged 77.6 cents a lb against 56.3 cents in 1988. Last night the price was 79 cents a lb.

Conroy does not expect serious problems with its planning application. The company will stress that it intends to provide 189 jobs and to inject I£4m in annual wages into local communities.

The budget includes $5m to clean up the site after mining ceases, and Conroy's environmental impact study included, as well as the usual elements, a detailed examination of local archaeology as well as the possible socio-economic impact.

Once the mine is operating, Conroy hopes to dispel doubts about it by encouraging visitors with exhibitions and refurbishing some of the derelict property on the site.

Conroy plans an underground mine even though the ore is on average only 80 metres deep and in the US would have been mined by open-pit methods. So far Conroy has located two ore bodies, the CW and the G, 900 metres apart.

The CW deposit is 400 by 700 metres and, according to Kilborn, contains 3.9m tonnes of mineable ore containing 12.2 per cent zinc. The G deposit, 300 by 500 metres – but still not fully explored – has 2.2m mineable tonnes of which 11.3 per cent is zinc. About 94 per cent of the metal can be recovered.

The only significant challenge identified is water at the site. Conroy will sink ten wells around each ore body and 700 gallons an hour will be pumped from each.

Conroy, which is one of the most active stocks trading on London's Unlisted Securities Market, recently overcame some doubts about its ability *to bring a mine into production* by signing a wide-ranging agreement with Outokumpu, the Finnish state-owned group which is one of the world's most experienced mining companies and owns and operates western Europe's largest lead-zinc mine, Tara, in Ireland. Outokumpu has also owned 20 per cent of Conroy since 1986.

The arrangement enables Conroy to avoid having to enter a joint venture – already offered, said Senator Conroy, by major mining groups such as RTZ of the UK, Metallgesellschaft of West Germany and MIM of Australia. The latter group, after being turned down, recently bought 5 per cent of Conroy in the market.

Senator Conroy said a number of foreign and Irish institutions have offered to provide finance for the mine.

He said his company aimed to produce some cash flow from the project as quickly as possible and then it would continue exploration.

Conroy has already found ore-grade material in a third zone in its 90-square-mile licence area in an agricultural region near the main Dublin to Cork highway and about halfway between the two cities.

High grade zinc mineralisation has also been found by Ennex and Ivernia West-Chevron, companies exploring areas abutting Conroy's. Senator Conroy suggests that the area eventually could be a massive provider of zinc, at least matching the 175,000 tonnes a year currently coming from Outokumpu's nearby Tara.

Simex leads in race for sour crude oil futures

By Steven Butler

THE SINGAPORE International Monetary Exchange (Simex) yesterday took the lead in the international race to begin trading in a *sour (high sulphur)* crude futures contract with the announcement that trading will start on June 21.

The contract will trade Dubai crude oil in lots of 1,000 barrels, for cash settlement. The daily settlement price will be determined by an industry panel.

The contract will fill a gap in currently available futures instruments in the energy markets. Contracts for light, low-sulphur crude have been successfully established at the New York Mercantile Exchange, which trades West Texas Intermediate crude, and at the London-based International Petroleum Exchange (IPE), which trades North Sea Brent crude.

The Dubai contract however could serve as a hedging mechanism for most crude oils coming out of the Middle East, which is supplying a progressively larger share of world oil demand. Dubai is already the benchmark Middle East crude, against which a large number of contracts are priced, according to prices reported by services such as Platt's.

The IPE and the Nymex are also in the process of drawing up specifications for a sour crude contract. The IPE contract will be based on Dubai crude and will likely be designed with similar specification to the Simex contract, allowing traders to manage similar positions in both markets and adding to overall liquidity. The IPE contract is expected to start trading sometime this summer.

The Nymex has yet to decide on the specifications for its sour crude contract, whether, for example, it would be based on Dubai crude or Alaska North Slope crude.

● The Saudi Arabian Oil Company, Aramco, puts the kingdom's crude oil reserves at 257.5bn barrels as at the end of 1989, compared with 252.38bn barrels a year earlier. The latest figure, reported in the annual report, does not appear to include a new Saudi find of light, low-sulphur crude which is still being evaluated.

EC may have to buy unwanted British beef

CONCERN IS growing in Brussels that BSE, or mad cow disease, could have expensive knock-on effects for the European Community, writes Tim Dickson in Brussels.

Officials are awaiting the outcome of a meeting on Friday when the EC may have to buy quantities of meat shunned by UK consumers as a result of the BSE outbreak.

The Commission line is that there will be no relaxation of restrictions in the revised beef regime introduced last year.

But Brussels may have no choice but to react to the present dire market circumstances.

The main feature of "intervention" is that the total quantity bought in during the year to April should not exceed 220,000 tonnes for the entire Community. In an effort to control the market Brussels likes to keep tenders at this traditionally quiet time of the year to 6,000 to 7,000 tonnes a piece but the EC is already buying in twice what it would normally due to upturn in production.

That problem is now being compounded by the BSE scare. Beef sales and prices, for example, have also fallen in Ireland, which sold around 100,000 tonnes to the UK market last year.

Interest is focused on a part of the regulation which states that intervention shall be opened if, for a period of at least two consecutive weeks, "in at least three member states or regions. . . representing overall 55 per cent or more of Community production of young uncastrated male animals less than two years old or castrated male animals, the price recorded for these categories. . . falls short of 80 per cent of the intervention price."

In these member states and regions: "for these purchases any offers at or below 80 per cent of the intervention price shall be accepted." Moreover, the regulation states, "quantities bought in these circumstances shall not be counted against the maximum quantity" of 220,000 tonnes.

Ireland, Northern Ireland, and Britain are already thought to have met these criteria for one week which is why *Friday's meeting* will be critical. There are also fears that traditional buyers of surplus EC beef could react negatively to anything that looked like a BSE rescue plan.

No qualms about the Sunday roast

'Mad cow' hysteria has not put informed people off British beef

LAST SUNDAY lunchtime my family and I sat down to a joint of best British roast beef. That such an event might be considered newsworthy can only be judged alongside decisions by Britannia Airways, several education authorities and a host of individuals to turn against tradition because of bovine spongiform encephalopathy, (BSE) the so-called "mad cow disease." It also, I suppose, allies us to Mr John Gummer, the UK Minister of Agriculture, who bought burgers for himself and his family to demonstrate his confidence in their safety.

There is, of course, a paradox here. A farmer like myself who has known and read almost all that's been written about BSE for four years, and a minister like Mr Gummer who has had access to the latest scientific evidence have no hesitation in continuing our established eating habits. Meanwhile many consumers who perhaps only learned of the existence of BSE a few weeks ago from the hysterical *tabloid* press have been so scared that they have stopped buying beef. For the sake of their own diet and of the livelihoods of UK beef producers I hope they soon recover their good judgment and return to normal.

The biggest problem with a disease like BSE is that there are a number of aspects about which it is impossible to be absolute. Intensive scientific investigations since the condition was first identified in 1986, however, have shown that the balance of probability that it does not and cannot jump species to humans is overwhelming.

Experiments deliberately intended to try to infect pigs, which have a similar metabolism to humans, and monkeys, which are even more closely related to us, have all failed. In some cases known BSE-infected tissue has actually been injected into the animals' brains over a two-year period but still they have not contracted the disease.

Moreover, the death of the Siamese cat which sparked off the current panic has never been positively identified as having been related in any way to infected meat or cows. The only certainty was that the cat had a disease which appeared similar to BSE.

Furthermore, the idea that BSE in cattle originally came from sheep with scrapie is itself based on the circumstantial evidence that the two diseases appear to be caused by a similar organism. Scrapie has been known in Britain since 1732, and cattle and sheep have grazed together since that time.

The feeding of meat and bone meal to cattle has been most widely blamed – partly because it was perceived as an unnatural practice and made cows into cannibals. This is not a new practice. To my certain knowledge and experience, meat and bone meal has been used as a protein in animal feeds for at least the last 50 years.

During the late 1970s and early 1980s, however, the method of rendering the discarded portions of animal carcasses into meal was changed from batch to continuous flow. This change has been linked to BSE, implying that the process failed to eliminate diseased tissue, although the renderers themselves and the government officers who licensed the new processing plants deny that this was the case, and say they can prove it.

In short, there are still unanswered questions about BSE, but that does not stop every jumped-up laboratory technician from giving black and white answers to any branch of the media that cares to listen.

All too often such opinions are less than objective, and based on the biased viewpoints of convinced vegetarians, many of whom seem compelled by an almost religious zeal to try to convert other consumers. Indeed, it seems to me that most of the scientists whose prophecies of doom on BSE have caused consternation in recent weeks have come from that kind of background.

Not that anyone who has seen BSE would belittle its seriousness. At farm level it is distressing to see the symptoms emerge. An infected cow first becomes either nervous or aggressive or both by turns. Soon after that she appears to have difficulty in walking – particularly with her back legs, which seem stiff – then she loses co-ordination and starts falling over. There have been four confirmed cases over the last six months in the herds for which I have some responsibility.

In every case the cattle have been identified as BSE suspects by a vet, then quickly sent for slaughter. Brain tissue was removed to confirm the diagnosis, and the carcass destroyed to stop the meat entering the food chain, as government policy has dictated since August 1988.

It is, I think, worth noting that there are government measures currently in force intended to stop any possible spread of the disease to farm livestock, or to humans, and which have persuaded people like me to continue eating beef. Since July 1988 no meat and bone meal has been permitted to be fed to ruminants; since December 1988 it has been prohibited to sell milk from BSE suspects; and since November 1989 there has been a ban on the use of brain and offal for human consumption from all cattle slaughtered in the UK.

Mr Gummer, having taken advice from government scientists, is convinced that these measures are more than enough to eliminate any possible risk of BSE affecting humans. Like Mr Gummer, my first reaction to the tabloid scaremongers was one of anger at their irresponsibility and distortion of the known facts. I also thought that, like previous food scares, it would be a nine-day wonder.

There is, however, a growing body of opinion, some of it within agriculture, that the level of fear among consumers combined with the as yet unanswered questions about BSE demand further government action to persuade consumers that British meat really is safe to eat.

To remove even the remote risk of meat and bone meal infecting other species of meat-producing animals with a BSE-like disease, the arguments go, it should be banned from animal feeding stuffs for all species. Inevitably this would create problems of disposal for the rendering trade and would raise the price of feed by a few pounds a tonne. Nevertheless many see such a move as desirable.

In addition, all calves born to cows which have subsequently been confirmed as BSE cases should, say the critics, be traced (every animal carries an ear number so it should be possible to identify them) and slaughtered and incinerated like its parent. In the highly unlikely event that so-called vertical transmission of BSE from mother to progeny is a possibility this would, it is claimed, help eradicate the disease.

Up to now, Mr Gummer has resisted all such demands on the grounds that the best scientific advice deems them unnecessary. He must by now, however, appreciate that, illogical as it may seem, British consumers take more notice of tabloid newspapers than of government scientists.

If banning meat and bone meal, and slaughtering the progeny of BSE victims are the measures it takes to persuade the British public of what he and I are confident of already, then I have come to believe that he should introduce them.

Ultra-cautious and excessive they may be, but for public peace of mind they should stay in force until such time as BSE is either eradicated from these shores or the Ministry's £12m BSE research programme proves absolutely conclusively that they are not necessary.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,710-1,760 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 3.00-3.50 (3.65-4.10).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 3.50-3.80 (3.60-4.00).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 7.90-8.20 (same).

MERCURY: European free market, min. 99.99 per cent, $ *per 76 lb flask, in warehouse,* 215-240 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.90-3.00 (2.95-3.05).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 5.30-5.90 (5.50-6.00).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, *cif, 40-60 (same).*

VANADIUM: European free market, min. 98 per cent, $ a lb VO, cif, 3.40-3.60 (3.70-3.85).

URANIUM: Nuexco exchange value, $ per lb, UO, 8.65 (same).

EC spending on rainforest protection could double

A BIG increase in funding to save the tropical rain forest, possibly doubling present levels, was agreed by EC Overseas Development Ministers meeting in Brussels yesterday, writes John Hunt, Environment Correspondent.

But the outcome of the meeting was criticised by Friends of the Earth because aid will still be channelled through the international Tropical Forestry Action Plan. Environmentalists claim the plan is biased in favour of the commercial timber interests.

In London Mr Simon Counsell, FoE rainforest campaigner, criticised Mrs Lynda Chalker, UK Minister for Overseas Development, for not taking a tougher line at the meeting.

But Mrs Chalker defended her action, saying it was at her urging *that the meeting agreed* to consider the results of the current review of the TFAP and see how it can be made more effective.

Last year at the Food and Agriculture Organisation conference she called for reform of the plan and yesterday under*lined the need for change.*

WORLD COMMODITIES PRICES

MARKET REPORT

COCOA WAS London's most volatile commodity market yestertday. Prices bounced up after early *selling but* then met renewed trade liquidation and the July futures price ended the day £21 down at £943 a tonne. Dealers said there was no news behind the movements, however, and trading volume was only moderate. London's July delivery cofee futures closed £7 down at £651 a tonne after early gains had *been erased following* a weakers New York opening. Sugar futures were down a little in response to a forecast by F.O. Licht, the West German sugar statistics agency, of a 690,000-tonne production surplus in the 1989-90 season, compared with the 160,000-tonnes deficit projected *in its February report.* At the London bullion market the gold price ended 25 cents above the pre-holiday close after a failed attempt to rally above $370 a troy ounce. London Metal Exchange values were generally little changed, the biggest movement being cash zinc's $29.50-a-tonne fall to $1,737.50 a tonne, attributed *to commission house selling in* a thin market. The lead market was boosted by commission house buying and cash metal closed £7 up at £494 a tonne.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$14.10-4.15q	-.225
Brent Blend	$16.43-6.47q	-0.30
W.T.I. (1 pm est)	$17.70-7.72q	-0.34
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$230-232	+1
Gas Oil	$146-149	-2
Heavy Fuel Oil	$63-65	-1
Naphtha	$149-151	-2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$367.5	+0.25
Silver (per troy oz)♣	517c	-6
Platinum (per troy oz)	$501.25	+1.25
Palladium (per troy oz)	$121.75	+0.50
Aluminium (free market)	$1550	
Copper (US Producer)	124c	
Lead (US Producer)	45c	
Nickel (free market)	390c	
Tin (Kuala Lumpur market)	16.89r	+0.03
Tin (New York)	299c	+1
Zinc (US Prime Western)	87c	
Cattle (live weight)†	105.95p	+0.16*
Sheep (dead weight)†	202.75p	-30.7*
Pigs (live weight)†	112.86p	+5.76*
London daily sugar (raw)	$355.0z	-1.0
London daily sugar (white)	$446.5z	-0.5
Tate and Lyle export price	£324.0	-1.0
Barley (English feed)	£112u	
Maize (US No. 3 yellow)	£144.5w	
Wheat (US Dark Northern)	£124	
Rubber (Jul)♥	55.75p	-0.25
Rubber (Aug)♥	58.25p	-0.25
Rubber (KL RSS No 1 Jun)	231.0m	-0.5
Coconut oil (Philippines)§	$350t	
Palm Oil (Malaysian)§	$280w	
Copra (Philippines)§	$230	
Soyabeans (US)	£164.5y	
Cotton "A" index	89.25c	-0.40
Wooltops (64s Super)	538p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Jul. t-May/Jul. u-Aug v-May/Aug. w-Jun z-Jun/Jul y-Sep. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Aug	316.80	330.80	330.00 312.00
Oct	313.80	328.00	327.80 308.00
Dec	315.00	328.00	319.00
Mar	298.80	310.00	310.00 297.00
May	297.80		308.00
Aug	297.00		307.80 295.00
White	**Close**	**Previous**	**High/Low**
Aug	429.0	439.0	438.5 427.0
Oct	391.0	403.0	402.0 388.5
Dec	378.5	390.5	390.0 377.0
Mar	373.5	385.0	383.0 380.0
May	372.0		383.0

Turnover: Raw2884 (2804)lots of 50 tonnes. White 749 (354)
Paris- White (FFr per tonne): Aug 2445, Oct 2245, Dec 2195, Mar 2160, May 2155

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Jul	16.70	16.52	16.70 16.32
Aug	17.00	16.95	17.00 16.72
Sep	17.30	17.23	17.30 17.06
IPE Index	16.79	16.71	

Turnover: 8053 (4179)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low
Jun	146.50	146.75	148.50 146.00
Jul	148.75	147.50	148.75 146.25
Aug	151.75	149.50	151.75 148.25
Sep	153.50	152.00	153.50 151.00
Oct	157.00	155.50	157.00 153.50
Nov	158.25	157.50	158.75 156.25
Dec	159.50	159.00	160.25 158.50
Jan	158.50	158.50	159.00 158.50

Turnover 6710 (7900)lots of 100 tonnes

JUTE
June/July c and f Dundee BTC $560, BWC $590, BTD $535, BWD $550; c and f Antwerp BTC $550,BWC $550, BTD $520, BWD $510.

COTTON
Liverpool- Spot and shipment sales for the week ended May 25 amounted to 580 tonnes against 391 tonnes in the previous week. Trading was of fairly high quantity with various countries involved in sales including Israel, west Africa and Mexico.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
May	935	948	950 941
Jul	942	963	975 940
Sep	949	978	981 948
Dec	971	992	1010 968
Mar	990	1006	1023 988
May	1006	1022	1032 1006
Jul	1024	1036	1047 1027

Turnover: 5853 (14664) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for May 25 1175.36 (1184.51) 10 day average for May 28 1142.12 (1127.33)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
May	634	639	644 631
Jul	651	658	664 645
Sep	666	666	675 660
Nov	680	678	688 672
Jan	694	689	698 691
Mar	700	705	712 705
May	720	720	727 720

turnover: 2390 (2838) lots of 5 tonnes
ICO indicator prices (US cents per pound) for May 29: Comp. daily 75.06 (75.12). 15 day average 73.44 (73.25)

POTATOES – IPE £/tonne

	Close	Previous	High/Low
Apr	174.0	180.5	180.0 170.1

Turnover 282 (155) lots of 40 tonnes.

SOYABEAN MEAL – IPE £/tonne

	Close	Previous	High/Low
Aug	119.00	119.00	119.00
Oct	121.50	122.00	121.50

Turnover 30 (22) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low
May	1312	1307	
Jun	1187	1203	1190 1185
Jul	1086	1105	1095 1085
Oct	1195	1215	1200 1195
Jan	1233	1244	1235
BFI	1304	1313	

Turnover 181 (141)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low
Jun	118.75	119.90	119.50 118.75
Sep	113.75	113.85	113.85 113.75
Nov	117.60	117.80	118.00 117.60
Jan	120.70		120.90 120.60
May	127.20	127.40	127.50
Barley	**Close**	**Previous**	**High/Low**
Sep	112.10	112.20	112.40
Nov	116.25	116.45	116.30 116.20
May	119.40	124.10	119.40

Turnover: Wheat 123 (105), Barley 46 (53). Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Jun	136.5	135.0	135.5 135.0
Aug	122.0	122.0	121.5
Oct	124.0		123.5
Feb	111.0		111.0

Turnover 76 (45) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover tonne
Cash	1553-6	1549-51	1547	1557-8		
3 months	1575-6	1572-3	1578/1570	1576-7	1575-6	46,099 lots
Copper, Grade A (£ per tonne)						Ring turnover tonne
Cash	1590-2	1589-91	1597/1594	1591-3		
3 months	1504-5	1510-1	1516/1503	1511.5-2.5	1504-5	81,288 lots
Lead (£ per tonne)						Ring turnover tonne
Cash	493-5	486-8		483-4		
3 months	490-1	481-2	491/472	481.5-2	489-90	9,926 lots
Nickel ($ per tonne)						Ring turnover tonne
Cash	8475-500	8450-500	8460	8450-75		
3 months	8475-500	8450-75	8500/8450	8475-500	8510-60	6,170 lots
Tin ($ per tonne)						Ring turnover tonne
Cash	6380-400	6360-70	6330	6330-40		
3 months	6515-20	6480-5	6520/6440	6480-5	6485-95	6,014 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover tonne
Cash	1735-40	1766-8	1755/1750	1750-3		
3 months	1677-80	1701-2	1690/1675	1687-90	1680-2	18,981 lots

LME Closing £/$ rate: SPOT: 1.6945 3 months: 1.6673 6 months: 1.6452 9 months: 1.6243

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	367¼-367¾	216¾-217¼
Opening	368½-369	217-217¼
Morning fix	368.35	217.572
Afternoon fix	367.70	217.150
Day's high	368¼-369¼	
Day's low	367-367½	

Coins	$ price	£ equivalent
Mapleleaf	375-380	221¼-224¼
Britannia	375-380	221¼-224¼
US Eagle	375-380	221¼-224¼
Angel	375-380	221¼-224¼
Krugerrand	367-370	216½-218¼
New Sov.	87-89	51½-52½
Old Sov.	87-89	51½-52½
Noble Plat	507.25-513.75	299.60-304.35

Silver fix	p/fine oz	US cts equiv
Spot	309.25	523.60
3 months	320.95	534.65
6 months	332.50	545.95
12 months	355.25	569.00

TRADED OPTIONS

Coffee	Jul	Sep	Jul	Sep
600	58	80	5	15
650	28	46	22	33
700	70	28	56	63
Cocoa	**Jul**	**Sep**	**Jul**	**Sep**
900	57	85	15	36
950	28	58	36	59
1000	12	40	70	91

Brent Crude	Jul	Aug	Jul	Aug
1650	30		29	
1700				
1750			110	

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jun	5025	4966	5030	4930
Dec	5570	5520	5580	5500
Feb	5565	5515	5568	5508
Mar	5390	5340	5390	5355

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	1424	1464	1498	1411
Sep	1448	1487	1519	1436
Dec	1468	1505	1535	1461
Mar	1494	1525	1548	1485
May	1514	1545	1580	0
Jul	1532	1560	1575	1575

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	95.15	97.20	97.50	94.75
Sep	97.40	98.70	98.50	96.60
Dec	100.00	101.25	101.00	99.25
Mar	102.00	103.40	103.25	101.40
May	104.00	105.25		
Jul	105.50	106.90	107.00	105.50
Sep	107.00	108.55	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	14.03	14.69	14.63	13.90
Oct	14.00	14.67	14.54	13.75
Mar	13.69	14.09	14.00	13.59
May	13.60	14.00	13.90	13.60
Jul	13.31	13.81	13.76	13.41
Oct	13.40	13.90	13.62	

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	82.03	80.03	82.03	80.03
Oct	72.60	71.95	73.45	72.22
Dec	68.81	69.08	69.36	68.45
Mar	69.65	70.00	70.15	69.40
May	70.00	70.30	70.50	70.00
Oct	65.00	65.00	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	197.45	197.40	197.50	196.00
Sep	194.45	194.30	194.50	193.00
Nov	187.25	187.00	187.25	186.25
Jan	184.45	184.00	184.45	183.50
Mar	184.10	183.90	183.50	183.50
May	184.10	183.45		

INDICES

REUTERS (Base: September 18 1931 = 100)

May 25	May 24	mnth ago	yr ago
1929.2	1920.7	1938.7	2006.6

DOW JONES (Base: Dec. 31 1974 = 100)

	May 25	May 24	mnth ago	yr ago
Spot	136.21	135.81	135.40	134.20
Futures	134.15	133.84	133.36	132.68

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
May	367.4	368.2	0	0
Jun	367.4	368.4	369.5	366.6
Jul	369.5	370.5	0	0
Aug	371.9	373.0	373.8	376.7
Oct	376.7	377.8	379.0	380.5
Dec	381.4	382.5	383.9	387.3
Feb	386.3	387.4	388.5	392.0
Apr	391.1	392.2	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	500.0	504.8	506.0	499.0
Oct	506.2	511.3	511.5	506.0
Jan	512.2	517.3	517.0	514.0
Apr	518.1	523.2	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
May	513.8	521.5	520.5	516.0
Jun	513.8	522.0	0	0
Jul	517.8	526.0	527.5	516.0
Sep	526.2	534.5	536.5	524.6
Dec	538.1	546.5	548.0	536.6
Jan	541.8	550.3	545.0	0
Mar	549.5	558.0	559.0	547.0
May	557.7	566.2		
Jul	566.0	574.5	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	115.85	119.65	120.00	115.00
Jun	115.00	117.75	118.00	114.60
Jul	112.50	115.25	115.80	112.30
Aug	109.30	111.40	0	0
Sep	107.90	110.10	110.30	108.00
Oct	106.55	108.65	0	0
Nov	105.25	107.60	0	0
Dec	103.90	106.35	106.35	104.20
Jan	102.60	104.95		

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jul	17.86	17.80	17.98	17.45
Aug	18.48	18.52	18.58	18.15
Sep	19.04	19.06	19.15	18.78
Feb	20.10	19.95	20.10	19.91
Mar	19.91	19.94	19.91	19.87

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	606/0	619/0	623/4	604/0
Aug	613/4	625/4	629/0	610/4
Sep	613/2	627/4	631/4	612/4
Nov	620/4	634/6	639/4	616/4
Jan	631/0	644/6	649/4	630/0
Mar	641/0	655/6	661/0	641/0
May	651/0	665/0	669/0	650/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	23.27	23.84	24.10	23.23
Aug	23.12	23.70	23.88	23.05
Sep	22.93	23.48	23.65	22.82
Oct	22.55	23.10	23.30	22.55
Dec	22.25	22.84	22.97	22.15
Jan	22.02	22.60	22.68	22.00
Mar	21.87	22.35	22.50	21.85
May	22.72	22.11	22.25	21.70

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	179.8	182.2	183.0	179.1
Aug	181.7	183.9	184.6	180.7
Sep	182.7	185.5	186.1	182.5
Oct	183.8	186.8	187.3	183.0
Dec	186.7	190.2	190.8	186.0
Jan	188.2	191.2	190.5	188.0
Mar	192.0	196.0	193.0	191.0
May	193.0	197.0	195.5	192.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	284/2	284/0	286/4	282/4
Sep	278/4	279/0	282/4	277/2
Dec	275/2	276/4	280/0	273/4
Mar	281/2	282/4	285/2	279/6
May	284/2	286/4	288/4	284/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	335/0	330/0	335/4	330/2
Sep	341/4	337/0	341/4	336/4
Dec	354/2	349/6	354/4	349/4
Mar	360/4	355/4	361/0	355/4
May	354/0	349/0	355/0	349/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	74.07	73.52	74.75	73.55
Aug	73.25	73.02	74.07	72.90
Oct	75.50	75.56	76.25	75.40
Dec	75.57	75.62	76.10	75.45
Feb	75.32	75.35	75.75	75.30
Apr	76.30	76.00	76.50	75.90

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	67.25	65.95	67.45	66.05
Jul	64.95	63.82	65.32	63.62
Aug	63.10	61.92	63.42	61.92
Oct	54.70	53.97	55.25	54.05
Dec	54.42	53.95	55.00	54.00
Feb	52.15	51.72	52.35	51.77
Apr	48.35	47.90	48.45	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	67.85	65.85	67.85	66.20
Aug	65.80	63.80	65.80	64.10
Feb	60.72	60.02	61.62	60.00
Mar	60.30	59.45	60.80	
May	67.40	67.40	67.75	67.40

LONDON STOCK EXCHANGE

Futures again lead equities higher

A SLUGGISH return to work after the UK Bank Holiday did nothing to discourage the optimists on the London stockmarket yesterday. Equities brushed off the initial effects of the overnight downturns in New York and Tokyo and the FT-SE Index rose by 30 points to bring the 2,300 mark back into focus again. However, the news after market hours of the effective of Kitcat & Aitken, the London securities investment arm of the Royal Bank of Canada, may set a subdued tone for this morning's opening.

As so often in the latest bull phase, it was the FT-SE futures market which set the pace for the underlying stockmarket. Equities opened lower, in part reflecting downward adjustments in several leading stocks to allow for dividend payments. But the FT-SE June futures contract quickly extended its premium from 23 to 30 points and, with several equity marketmakers still short of stock, there was a rush to buy shares. The FT-SE Index had advanced by 20 points by lunchtime.

There were not nearly enough genuine institutional customers to justify the upturn and the market struggled to hold on to its early gain. It slipped below its best as the premium on the Footsie future narrowed to around 27 points, and was probably not helped by the fact that some fund managers and market traders extended the holiday weekend by an extra day.

However, a firm start to the new session on Wall Street, bringing a rise of 20 Dow points in London trading hours, provided a further boost for the UK market. The final reading showed the FT-SE Index with a gain of 30 points at 2,295.6. While several leading securities houses have expressed cautious optimism over equity prospects, there was some surprise at yesterday's sharp advance.

The day's Seaq-recorded volume, which includes both inter-marketmaker and customer retail business, totalled 330m shares, compared with 385.6m on Friday.

The latest survey of business opinion by the Confederation of British Industries, indicating that the Government's policy of squeezing demand is succeeding, albeit slowly, helped the underlying mood of the equity market. And the technically adverse influence of lower quotations for ex-dividend stocks was balanced by strong gains in some Footsie shares.

Reports in the UK press that Elf Acquitaine, the French State-owned oil and chemicals group, is preparing a bid for Enterprise Oil, the independent UK exploration company, brought gains in Enterprise and also in ICI, which holds 25 per cent of the oil company, as does Elf. Cadbury-Schweppes advanced after paying £125m for three of Perrier's soft drink brands.

Account Dealing Dates		
*First Dealings:		
May 14	May 29	Jun 11
Option Declarations:		
May 24	Jun 7	Jun 21
Last Dealings:		
May 25	Jun 8	Jun 22
Account Day:		
Jun 4	Jun 18	Jul 2

*New time dealings may take place from 9.00 am two business days earlier.

Elf bid hints renewed

Speculation that the French oil giant Elf Aquitaine was considering a bid for Enterprise Oil, in which it already has a 25 per cent stake, helped the shares to a firm rise.

Analysts and traders assumed that, unlike similar reports in the past, the stories were the result of leaks to the press. A refusal from Elf to comment on the suggestions did nothing to counter the speculation. ICI owns a 24.9 per cent stake in Enterprise and the market considers the transfer of this stake to be a prerequisite to any bid.

Mr Keith Morris at Kitcat & Aitken said ICI might be testing the water to see what sort of political flak it might attract if it passed on its stake to a foreign company. "Our feeling is that maybe ICI really wants out – if ICI goes to Elf rather than the other way around, the latter will not be perceived as the aggressor." He pointed out, however that Elf had paid Lasmo 450p a share for the stake and that, therefore, any offer might be below the current market price.

Analysts at Smith New Court agreed that the minor share price rise and low trading volume yesterday reflected the fact that the press stories had only "muddied the waters." Enterprise rose 15 to 625p, the day's peak, while ICI climbed 19 to 1184p.

Glaxo fell quickly on the news that the advisory committee of the US Food and Drug Administration had recommended a broader than expected approval of a rival to the company's money spinning anti-ulcer drug Zantac.

Analysts were, however, keen to play down the significance of the announcement. Mr Jonathan de Pass at BZW said that athough the announcement was "a significant development and contrary to market expectations" it was "easily blown out of proportion." He said that it was misplaced to make comparisons with Europe, where the rival drug, Losec, made by Swedish drug company Astra, has done particularly well. Losec in the US will be marketed by Merck, the world's biggest drug company. But Merck, said Mr de Pass, could have to divide its efforts with another ulcer treatment it already had on its books.

Mr Ian White at Kleinwort Benson said the late recovery in the share price reflected analysts' view that the recommendation would not make a great deal of difference. He trimmed his forecast of profits for 1991 by £15m to £1300m. He added that the prospect of R&D presentation to analysts today in London and tomorrow in New York also helped the recovery.

Glaxo touched a low of 756p before closing at 782p, a decline of only 2 on the day. SmithKline Beecham, which makes another anti-ulcer drug, was also dragged lower. It ended down 2¼ at 518p xd.

The construction and building materials sector had both good and bad features. Leading stocks usually followed the general trend with RMC, 677p, and Redland, 588p, displaying gains running into double-figure amounts. BPB Industries, 4 better at 230p, benefited from a County NatWest recommendation but several second-line stocks registered falls. Graham Wood closed 7 down at 165p and G F Lovell ended 5 off at 213p while beleaguered housebuilder Fairbriar dropped to a low of 34p, down 6.

Quality property issues also exuded confidence, although trade was moderate. Best bid by S G Warburg for much of the session, Land Securities rose 13 to 499p while MEPC gained 8½ to 487p xd. Greycoat, which is expected to announce figures shortly, moved up 11 to 412p.

Cadbury-Schweppes's £125m purchase of Perrier's soft drinks business helped the shares to a 13 rise to 347p. Traders were pleased that the price paid was not higher. Mr David Lang at Henderson Crosthwaite said that the operation had been offered for sale last year at £250m, although what Cadbury had bought excluded the Pepsi bottling franchise for France and the Pschitt brand of lemonade. He said that this year's profits from Cadbury were now more likely to be near the £290m top end of analysts' forecasts.

International investors reportedly displayed interest for BAT Industries, up 13 at 711p, and for British Aerospace, which advanced 16 to 539p. Cookson was another strong performer and closed with a rise of 13 at 210p. A buy note from County NatWest lifted BET 8 to 238p.

The warning that first-half profits will fall short of last year's level saw Wickes dip to 170p before rallying to finish only 5 lower on balance at 185p; the group said some of its businesses were performing well and the company hoped to recover the ground lost in the latter half.

Eurotunnel shares responded to the progress in the financing negotiations - agreement has been reached on the first tranche of the £2.5bn of extra funding needed - by rising 17 to 540p.

Westland, the helicopter manufacturer, unveiled interim profits above most analysts' forecasts and rose 4 to 108p. The improved performance from the group helped sentiment in major shareholder GKN whose shares, up 10 at 387p, were already reflecting hopes of benefits from the expected boom in Eastern European consumer spending. GKN has long been regarded as a possible suitor for Westland.

Quoted ex the dividend Glynwed attracted good demand and ended 9½ higher at 261p.

The trend in insurance shares was less certain than in the rest of the equity sector, with some composites still unsettled by the recent batch of downgradings and some life companies now tripped up by similar developments.

Sun Alliance (310p) continued to feel the adverse effects of the switch out of the shares and into Sedgwick advised by Kleinwort Benson; at 254p, Sedgwick added a penny.

There was support for Commercial Union, which added 4 to 471p, and General Accident (1073p) and Guardian Royal Exchange (231p) were also firmer.

Bank shares joined in the general upturn in equities, striking a firmer tone after the less confident trend of the past few weeks which had been reflected in profits downgradings for several major names by leading securities houses. Midland (284p) extended by several pence the rally commenced on Friday as the share prices steadied from the fall prompted by a downgrading at Nomura Research.

Goldman Sachs, the US investment bank, remains cautious short term in its latest review of the UK banks, predicting an 8 per cent dip in the sector's interim profits before problem country debt provisions, with all four of the majors recording interim declines. Goldman is particularly wary of Midland and Standard Chartered, the latter firmer at 460p yesterday.

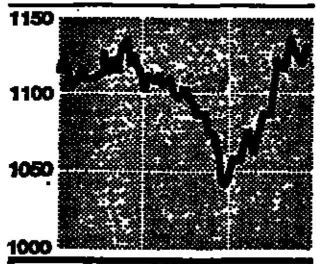
Goldman points out that mortgage lending by the banks has so far proved to be high quality business, as yet generating few provisions. Among the banking leaders, mortgages represent between 15 per cent and 22 per cent of domestic customer lending.

A profits warning from Logica left the shares 80 lower at 219p, while the ending of management buy-out talks at Tunstall took 50 off its shares to 140p.

Trading news gave a boost to USM-listed Rolfe & Nolan Computer Services which announced increased annual profits, a scrip issue and the intention to seek shareholders' approval for a buy-in programme of its own shares. They ended 12 better at 260p. French bid hopes lifted Select Appointments 10 to 89p. BPP jumped 13 to 218p as Schroder Securities issued a buy recommendation.

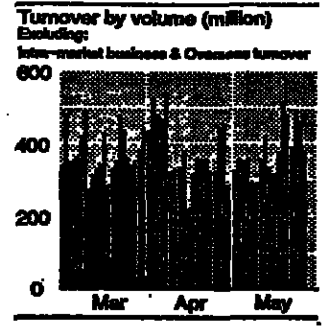
■ Other Market statistics, including the FT-Actuaries share index, Page 26

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (38).
BRITISH FUNDS (1) BANKS (1) BUILDINGS (1) STORES (3) ELECTRICALS (2) ENGINEERING (2) FOODS (4) INDUSTRIALS (17) ASD, Akmasu, Bimac Inds., Bowater Inds., Huntleigh Tech., Platignum, Portmeirion Potteries, Proudfoot (A), Rolfe & Nolan, Tomkins, Triefus, LEISURE (1) TRUSTS (6) OVERSEAS TRADERS (3).
NEW LOWS (88).
AMERICANS (1) CANADIANS (3) BANKS (1) BREWERS (3) BUILDINGS (7) CHEMICALS (1) STORES (1) ELECTRICALS (4) FOODS (2) INDUSTRIALS (10) Anglo Utd., Apollo Watch Prods., Green (E.) & Part., Handley-Walker, Hay (N.), Norton, PCT, Platignum, Powell & Duffryn, Scott & Robertson 7½pc Pf., LEISURE (2) MOTORS (3) NEWSPAPERS (1) PAPERS (4) PROPERTY TEXTILES (2) TRUSTS (15) OILS (3) OVERSEAS TRADERS (1) MINES (3) THIRD MARKET (4).

FINANCIAL TIMES STOCK INDICES

	May 29	May 25	May 24	May 23	May 22	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	78.16	78.25	78.36	78.56	79.23	85.88	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	87.24	87.08	87.29	87.25	87.42	96.92	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1823.3	1800.0	1805.2	1810.0	1829.5	1765.3	1968.3 (3/1)	1653.6 (30/4)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	215.7	211.2	209.7	211.5	211.6	172.6	378.5 (6/2)	207.1 (18/5)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2295.6	2265.6	2277.1	2287.4	2311.3	2130.0	2463.7 (3/1)	2103.4 (30/4)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	5.06	5.11	5.08	5.07	5.02	4.50				
Earning Yld %(full)	11.43	11.56	11.49	11.47	11.35	10.90				
P/E Ratio(Net)(☆)	10.58	10.46	10.52	10.54	10.65	11.11				
SEAQ Bargns 4.45pm	21,836	25,638	24,440	31,298	32,954	25,337				
Equity Turnover(£m)†	-	849.99	1077.70	1112.50	1179.21	1286.61				
Equity Bargains†	-	28,295	25,267	30,814	31,357	29,399				
Shares Traded (ml)†	-	371.5	380.8	480.4	491.5	457.8				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 ☆ Nil 10.47

Ordinary Share Index, Hourly changes Day's High 1823.4 Day's Low 1793.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1793.3	1803.2	1807.3	1814.3	1811.9	1815.5	1815.9	1816.6	1820.9

FT-SE, Hourly changes Day's High 2295.6 Day's Low 2258.7

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2259.1	2272.9	2278.6	2285.4	2281.5	2285.5	2285.9	2286.2	2292.1

GILT EDGED ACTIVITY

Indices*	May 25	May 24
Gilt Edged Bargains	81.7	88.2
5-Day average	100.7	104.5

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	1,100	184	+2	Courtaulds	346	331	+8	MEPC	619	487	+8½	Slough Ests	60	288	+5
ASDA Group	3,000	167	+4	Dalgety	461	350	+3	Manpower	625	77		Smith (W.H.) A	417	332	+4
Abbey National	1,700	186	+1	Dixons	1,800	126		Marks & Spencer	3,400	218	+4	Smith & Nephew	3,700	113½	+4
Allied-Lyons	1,400	400	+2½	ECC Group	712	381	+6	Maxwell Comm.	640	195	+1	SmKl Beecham	2,800	518	-2½
Amstrad	1,100	68	+1	Enterprise Oil	471	625	+15	Mecca Leisure	3,000	86	+3	SmKl Beecham Units	46	2388	-60
Anglian Water	133	180	+2	FKI	1,800	72	+1	Midland Bank	1,100	285	+7	Smiths Inds.	492	280	+1
Argos	676	217	+5	Ferranti	188	37		NatWest Bank	486	334	+5	South West Water	285	166	+4
Argyll Group	934	235	+5	Fisons	367	383	+4	Next	232	67		Southern Water	195	133	+2
Ass. Brit. Foods	594	389	+5	Gen. Accident	339	1073	+16	North West Water	410	130½	+½	Standard Chart.	138	460	+2
BAA	842	407	+3	General Elect.	4,200	206	+5½	Northern Foods	301	288		Storehouse	588	114	+3
BAT Inds.	1,200	711	+13	Glaxo	6,300	782	-2	Northumbrian Water	183	189	+4	Sun Alliance	904	312	
BET	501	238	+8	Globe Inv.	732	101	-2	Pearson	384	714	+12	Sun Life	7	1208	
[illegible]															
British Land	15	330	+5	IMI	97	235	+1	Reuters	207	1161	+23	Unilever	573	471	+7
BP	3,400	320	+3	ICI	434	1184	+19	Rolls Royce	5,300	212	+½	United Biscuits	1,300	345	+5
British Steel	4,300	146½	+2	Inchcape	370	271	+1	Rothmans	36	885	+4	Utd Newspapers	420	334	+9
British Telecom	5,800	280	+2	Kingfisher	1,100	313	+10	Ryl Bk Scotland	323	175		Water Package Uts	1	£1518	+28
Bunzl	18	95		Ladbroke	1,000	309	+5½	Royal Insurance	696	483	+15	Wellcome	532	657	+6
Burmah Oil	228	635	+16	Land Securities	1,000	499	+13	STC	3,400	288		Welsh Water	137	169	+3
Burton	475	179	+5	Laporte	65	533	+7	Saatchi	436	97	+1	Wessex Water	70	156	+5
Cable & Wire.	1,100	538	+14	Legal & General	308	382	+3	Sainsbury	794	285	+6½	Whitbread "A"	525	422	+7
Cadburys	2,800	347	+13	Lloyds Abbey	106	329	+1	Scottish & New.	986	324	+7	Williams Hldgs.	363	283	+2
Calor Group	52	272	+6	Lloyds Bank	1,500	272	+8	Sears	3,600	95	+2	Willis Faber	515	286	+4
Carlton Comms.	87	628	+6	LASMO	677	391	+5	Sedgwick	270	254	+2	Wimpey	60	236	+3
Coats Viyella	1,700	122		Lonrho	518	245	+1	Severn Trent Water	1,400	138½	+2	Yorkshire Water	449	162	+3
Comm. Union	715	472	+5	Lucas	407	880	+5	Shell Transport	3,600	459	+4				
Cookson	2,800	210	+13	MB Group	578	214	+5	Siebe	184	475	+5				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

APPOINTMENTS

New chairman for Russell Hobbs Tower

■ Mr Don McNaughton, of Polly Peck International's business support group, will become chairman and chief executive of RUSSELL HOBBS TOWER on June 1. He will remain a director of the business support group.

■ CHARTERED WEST LB has appointed Mr Paul Luke, formerly assistant general manager of Libra Bank, as an assistant director. Mr Luke will be economic adviser to the bank.

■ ROYAL SCOTTISH ASSURANCE, the new joint venture life assurance company formed by the Royal Bank of Scotland Group and Scottish Equitable has established an area manager structure with the support of Mr Mark Secker (London), Mr Brian Blake (Manchester), Mr Brian Reilly (Edinburgh) and Mr Neil Pattie (Glasgow).

■ At GULF INTERNATIONAL BANK Mr Peter J. Szalay has been promoted to senior vice president, Europe/Africa area. His marketing responsibilities in Central and Eastern Europe have been extended to include supervision of the bank's representative office in Frankfurt. He remains based in London.

■ BIRMINGHAM MIDSHIRES BUILDING SOCIETY has appointed Mr Christopher James *(pictured)* as its chairman in succession to Mr Derrick Hanson on his retirement from the board. Mr James has been the Society's deputy chairman for the last two years.

Mr Richard de Zouche has been appointed deputy chairman of the Society. He is the senior partner of Wilson de Zouche & Mackenzie in Liverpool.

■ Mr John Perkins has been appointed managing director of INDEPENDENT RADIO NEWS. He takes over from Mr Peter Thornton who has stepped down to give more time to London Broadcasting, where he is also managing director.

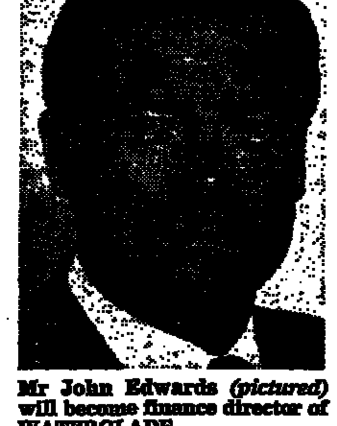
■ Mr John Hoare is joining the board of FENCHURCH INSURANCE BROKERS. Mr Ray Barker is promoted to director of Credit Insurance Services and Mr Chris Clark is appointed assistant director of FENCHURCH LONDON.

■ Mr Takashi Murakami, managing director of Nikko Capital Management (UK), has been appointed to the board of its parent, NIKKO INTERNATIONAL CAPITAL MANAGEMENT, in Tokyo.

■ Mr Peter Goldsmith has been named managing director of AMPEX GREAT BRITAIN following Mr Terry Radford's promotion to vice president Europe Africa Middle East.

■ Major General Stephen R.A. Stopford has been appointed a director of Huddersfield-based DAVID BROWN VEHICLE TRANSMISSIONS.

■ Mr Michael Turner-Samuels has been appointed group treasurer of UNIGATE. He was assistant treasurer and projects director for Varity Corporation in Canada.



Mr John Edwards *(pictured)* will become finance director of WATERGLADE INTERNATIONAL HOLDINGS on June 1. He was previously group finance director at Bejam Group.

■ At NEXT Mr Michael Bottomley, Mr Andrew Varley and Mr John Wallis have been appointed directors from June 1. Mr Bottomley is managing director of Grattan Home Shopping, Mr Wallis managing director of Next's direct response division and Mr Varley managing director of Next Directory.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

BRITISH FUNDS—Contd

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Contd

CANADIANS

Continued on next page

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 071-925-2128

BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
303	209	ANZ SA1	224	+6	44c	1.4	9.2	7.7
201	172	Abbey National 10p	196	+1	5.7	4.3	3.9	7.9
*274	210	Allied Irish Ord	221xd	+2	Q40%	♦	4.3	♦
£13¾	£11⅝	Algemene Fl.10	£11⅝	−⅛	Q28%	2.1	7.7	6.1
85	73	Anglo Irish	75	.....	†Q18.7%	2.7	5.9	10.2
81	68	Ansbacher (H.) 1p	76	.....	2.5	1.3	4.4	21.9
£71¼	£54¼	Bancaire Cie Fr100	£67¼	−2¼	Q12¼%	−	2.1	−
£22¼	£16⅝	Banco Bilbao Viz	£19	.....	Q49.1%	2.7	4.4	12.3
£31	£24¼	Banco de Santander	£27¼	.....	Q25%	2.4	4.1	10.1
286	224	Bank Ireland Ir£1	244xd	+7½	Q14.3%	♦	5.5	♦
£19½	£18	Bank Leumi	£19½	.....	−	−	−	−
350	320	Bank Leumi (U.K.)	345	.....	†13.5	−	5.2	−
125	104	Bank Scotland	116	+½	4.55	3.3	5.2	7.7
100¼	83¼	Do. 9¼pc Irrd Pf	92¼	+½	9¼%	−	13.4	−
54	39	Bank of Wales	42	.....	2.8	0.8	8.9	(20.2)
428	352	Barclays £1	387xd	+3	‡19.57	3.5	6.7	5.4
22	13	Benchmark 20p	14	.....	1.63	1.0	15.5	8.0
335	310	Brown Shipley £1	323	.....	†10.5	−	4.3	−
455	361	Cater Allen £1	403	−1	23.5	−	7.8	−
179	137	Chancery	139	+2	†8.0	2.8	7.7	6.1
£23¼	£19⅝	Commerzbk DM10	£19⅝	−¼	Q18%	−	3.4	−
£13¼	842	Dai Ichi KBk Y50	942	−11	Q17%	♦	0.4	♦
*£313½	£262¼	Deutsche Bk DM50	£276¼	+2¾	Q28%	−	1.8	−
£20¾	£19	Espirito Santo	£19½	+½	Q75c	♦	2.3	♦
253	183	First Nat. Fin. 10p	218	+2	13.0	2.4	8.0	6.7
121	96	FNFC 6.3pc Cv. Pf	110	−1	6.3%	−	7.6	−
262	159	Fuji Bank Y50	194xc	.....	Q17%	♦	1.8	♦
325	262	Gerrard & National	280xd	−8	19.0	♦	9.0	♦
154	136	Guinness Mahon 10p	136	.....	2.1	−	2.1	−
328	223	Hambros 20p	264	.....	†10.0	−	5.1	−
128	93	Do. 7.5pc Cv Pf	106	+1	7½%	−	9.4	−
53½	43	HK & Shang. HK$2.50	43½	.....	hQ38c	−	6.6	−
478	458	Joseph (Leo) £1	458	.....	15.85	−	4.6	−
147	126	King & Shaxson 20p	147	+1	10.25	♦	9.3	♦
422	340	Kleinwort Benson Grp	389	+4	16.0	2.5	5.5	9.9
642	402	Kyowa Bank Y50	500	−10	Q14%	♦	0.6	♦
307½	242	Lloyds £1	272	+8	13.3	2.6	6.5	6.4
56	44	Lon. Scot. Bank 10p	49	.....	2.4	1.8	6.5	10.3
404	271	Midland £1	285	+7	18.0	2.6	8.4	5.9
£14½	£10⅛	Mitsubishi Bank Y50	£10⅛	.....	Q17%	♦	0.3	♦
*£12¼	£6⅞	Mitsubishi Tr. & Bk Y50	£8⅞	.....	Q17%	♦	0.4	♦
£10⅝	£7⅞	Mitsui Bank Y50	£8⅞	−⅛	†Q16%	6.0	0.4	45.3
904	559	Mitsui Tst & Bk Y50	643	−10	Q17%	♦	0.5	♦
326	279	Nat. Aust. Bk. A$1	289	+1	sQ50c	1.6	7.8	8.0
360	299	NatWest £1	334	+5	16.7	3.3	6.7	6.1
£210	£190	Ottoman Bank	£206	.....	Q110%	2.8	5.5	6.5
55	39	Rea Bros. Group	43	−2	0.5	3.4	1.6	20.6
200	155	Rothschild (J) Hldgs	166	−1	†9.5	3.6	7.6	4.8
227	149	Royal Bk. Scotland	175	.....	†7.2	3.8	5.5	6.2
795	424	Saitama Bank Y50	556	−20	Q14%	♦	0.5	♦
£12¼	806	Sanwa Bank Y50	917	−8	Q17%	♦	0.4	♦
902½	712½	Schroders £1	768	+5	h12.5	5.9	2.2	10.4
712½	537½	Do. £1 N/V	578	.....	h12.5	5.9	2.9	7.8
£25¼	£20⅞	Sec. Pacific $10	£22¾	−⅛	Q$1.96	−	5.2	−
616	454	Standard Chartd. £1	460	+2	35.0	1.4	10.1	(8.6)
£16¼	£8⅞	Sumitomo Bank Y50	£10⅞	−¼	†hQ16%	7.5	0.3	46.0
£11	£6⅞	Sumitomo Tst & Bk Y50	£8¼	−⅛	Q17%	♦	0.4	♦
147	121	TSB	140	+7	5.8	2.8	5.5	9.0
175	126	TSB Bank Ch'nel Is'l	144	.....	Q6.7	3.5	4.7	7.2
£11⅝	£5⅞	Tokai Bank Y50	£6⅞	−⅛	Q16%	4.1	0.5	52.8
920	605	Toyo Tst & Bk Y50	724	−17	hQ15.2%	6.9	0.4	34.8
611	532	Union Discount £1	578	.....	33.0	−	7.6	−
525	398	Warburg (S.G.)	438	.....	†12.5	−	3.9	−
180	133	Do 6pc Cnv Prf	142	.....	6%	−	5.6	−
279	210	Westpac SA1	222	+2	Q52.5c	1.5	11.1	5.9
420	378	Wintrust 20p	380	+2	†7.8	−	2.7	−
969	574	Yasuda Tst & Bk. Y50	758	−5	Q17%	♦	0.4	♦

Hire Purchase, Leasing, etc.

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
355	173	Anglo Grp. 10p	193	−5	†5.0	4.1	3.5	7.5
£128½	£74½	Do. 9½pc 1999	£75½	.....	Q9½%	−	12.6	−
175	130	CLF Yeoman 50p	135	+5	dQ24.6%	3.4	7.7	4.2
71	60	‡Cambridge Grp Ir5p	61	.....	Q7½%	♦	0.6	♦
55	34	‡Capital Leasing Ir 10p	38	.....	†Q1.2%	3.5	2.9	8.9
68	50	Cattle's (Hdgs) 10p	55	.....	3.58	1.9	8.7	7.9
408	367	Prov. Financial	403	+4	20.5	2.0	6.8	9.7
235	210	‡Reflex Invs. Ir5p	210	.....	Q34.6%	6.6	0.8	24.4
225	199	Secure Trust Grp. 1p	212	.....	8.5	2.4	5.3	10.5
210	178	Woodchester IR20p	200	.....	Q16.7%	5.9	1.6	14.1

BEERS, WINES & SPIRITS

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
519	408	Allied-Lyons	450xd	+2½	16.95	q2.2	5.0	10.3
£24⅛	£20¼	Anheuser-Busch $1	£24⅛	−⅛	72c	−	1.5	−
1090	895	Bass	1053xd	+19	†28.2	3.5	3.6	10.4
170	131	Boddington	150	.....	5.1	♦	4.5	♦
199	161	Bulmer (H.P.) 5p	168	+2	†6.95	1.4	5.5	16.5
227	193	Burtonwood Brewery	193	.....	3.55	2.5	2.5	21.6
400	290	Clark (Matthew)	290	−2	†13.0	2.8	6.0	8.1
286	169	Devenish (J.A.) 5p	190	.....	4.65	3.1	3.3	11.6
225	120	Do 4.5pc Cv 2ndPf	135	.....	4½%	−	4.4	−
167	123	‡Eldridge, Pope "A" 50p	145	.....	4.1	2.3	3.8	13.7
400	345	‡Fuller, S.T.A.	350	.....	†4.45	4.4	1.7	16.6
658	533	Grand Metrop. 50p	606	+14	†17.75	2.8	4.0	10.4
349	295	Greenall Whitley	328xd	+3	†8.7	2.9	3.5	12.4
167	139	Do. 5.95pcCvPf£1	159	+2	5.95%	−	5.0	−
420	314	Greene King	388	+1	†8.7	3.6	3.1	11.6
724	633	Guinness	724	+14	15.3	3.0	2.8	14.1
202	172	Do. 5¾pc Cnv Prf	201	+3	5.75%	−	3.8	−
£245½	£210½	Do 8¾pcCvLn	£242½	+2	Q8¾%	−	3.4	−
253	202	Highland Dists. 20p	218	.....	†3.85	2.7	2.4	20.2
825	618	Macallan-Glenlivet	628	−5	1.06	6.9	0.2	−
2000	1900	Macdonald Martin 'A'	2000	.....	†‡24.0	2.1	1.6	39.2
480	378	Mansfield Brewery	378	−2	†9.5	3.5	3.4	11.3
222	159	Marston Thompson	166	.....	†3.36	3.5	2.7	14.3
425	395	‡Merrydown Wine	425	+2	†h5.78	3.5	1.8	20.7
405	335	Morland	340	.....	†h5.13	4.1	2.0	14.5
361	278	Scott. & New 20p	324	+7	†10.83	2.3	4.5	12.6
£57¾	£42¾	Seagram	£50⅝	−⅞	US$1.40	−	1.7	−
329	200	Vaux Group 10p	235xd	.....	†d7.84	2.2	4.4	13.1
429	360	Whitbread 'A'	422	+7	14.8	q2.4	4.8	10.8
79	61	‡Whitshire Brewery 5p	62	.....	L1.5	−	3.2	−
430	339	Wolv. & Dudley	360xd	+1½	‡9.0	3.8	3.3	11.7
495	460	Young Brew 'A' 50p	465xd	+6	11.5	♦	3.3	♦
415	370	Do. Non. V. 50p	370xd	+1	11.5	♦	4.1	♦

BUILDING, TIMBER, ROADS

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
504	385	AMEC 50p	392	−3	19.0	3.8	6.5	5.3
125	95	Do. 6½p Cm Cv Pf	98	+1	6½%	−	9.0	−
130	70	Abbey	100	.....	26.8%	4.1	8.5	3.8
116	84	‡Allen 5p	84	.....	†4.2	2.8	6.7	6.5
159	122	‡Amco Corp	142	.....	−	−	−	−
132	65	Anglia Sec 10p	69xr	−1	‡2.0	0.2	♦	−
155	138	Arncliffe 10p	141	+1	6.75	5.9	6.4	3.5
285	213	‡Ashtead Group 10p	215	.....	†2.5	8.5	1.6	9.3
468	405	Attwoods 5p	460	.....	†8.0	2.3	2.3	(20.8)
128	121	‡BMSS 10p	121	.....	4.38	♦	4.8	♦
263	205	BPB Inds. 50p	230	+4	†10.75	2.4	6.2	8.2
144	91	Baggeridge Brick	101	−1	3.13	4.2	4.2	7.6
71	40	Bailey (Ben) 10p	43	+2	h1.9	6.8	5.9	3.3
127	97	Baldwin 10p	104	−3	2.55	4.0	3.3	10.1
180	135	‡Ball (A.H.) 5p	140	+5	L6.0	1.9	5.7	11.2

[illegible]

BUILDING, TIMBER, ROADS — Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS — Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING — Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) — Contd

[illegible]

INDUSTRIALS (Miscel.) — Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 071-925-2128

MOTORS, AIRCRAFT TRADES – Contd

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY – Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND – Contd

[illegible]

TRUSTS, FINANCE, LAND – Contd

[illegible]

Finance, Land, etc

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS – Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES – Contd

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								
5¼	3¼	Vista Ents 5p ....y	3¼	.....	–	–	–	–
18	1	Viscaya Hldgs 5p .y	1½	.....	–	–	–	–
43½	25	Wingate Leisure 20p.y	25½	+½	0.25	1.7	1.3	54.6
29	9	Do Wrrnts ....y	10	.....	–	–	–	–
5¼	3¼	Wilson Group 1p. .y	3¼	.....	–	–	–	◆

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ⊕ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ∥ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ◆ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ∥ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990-91. N Dividend and yield based on prospectus or other official estimates for 1989-90 P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1.. y	830	... ...
Finlay Pkg. 5p.... y	53	–2
Holt (Jos) 25p..... y	1290	......

IRISH

Cap. 8½% Ln. 1991 ...	£98	......
9pc Cap Ln 1996..	£94½	+½
Fin. 13% 97/02...	£112	......
Arnotts............	415	......
Carrol (P.J.)....... y	147	......
Hall (R & H).......	175	......
Helton Hldgs....... y	73	–1
IRG.....	280	......
United Drug.........	160	–5

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	39
Amstrad	5½
Astec (BSR)	5½
BAT	83
BOC Grp	45
BTR	36
Barclays	49
Blue Circle	19
Boots	23
Bowaters	38
Brit Aerospace	42
British Steel	9
Brit. Telecom	25
Cadburys	27
Charter Cons.	40
Comm Union	40
Courtaulds	24
Eurotunnel	60
FKI	7
FNFC	21
Gen Accident	90
GEC	18
Glaxo	56
Grand Met	45
Guardian	19
GKN	33
Hanson	18
Hawker Sidd	55
ICI	85
Ladbroke	25
Legal & Gen	34
Lex Service	26
Lloyds Bank	22
Lucas Inds	52
Marks & Spencer	17
Midland Bk	27
Nat West Bk	29
P & O Dfd	50
Polly Peck	57
Racal Elect	19
RHM	35
Rank Org Ord	68
Reed Intnl	33
STC	20
Sears	9½
SmKl. Beecham A	46
TI	38
TSB	11
Tesco	17
Thorn EMI	61
Trust Houses	22
T&N	17
Unilever	56
Vickers	18
Wellcome	68

Property

Brit Land	32
Control Secs	5
Land Securities	44
MEPC	44
Mountleigh	14

Oils

Aviva Petlm	5½
Brit Petroleum	28
Burmah Oil	52
Conroy Petlm	12
Gaelic Res	4½
Premier	10
Shell	37
Tuskar Res	10
Ultramar	31

Mines

Lonrho	20
RTZ	45

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

FT MANAGED FUNDS SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-925-2128

AUTHORISED UNIT TRUSTS

Midland Unit Trusts Ltd (1200)F

192 Eyre Street, Sheffield, S1 3RD 0742 529888

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
British Tst	6	60.41	60.41	64.61	+0.35	1.46
(Accum Units)	6	62.83	62.83	67.20	+0.39	5.46
Capital	6	106.8	106.8	114.2	+0.2	2.54
(Accum Units)	6	155.5	155.5	166.3	+0.2	2.54
European Growth	6	163.8	163.8	174.5	+1.6	0.66
(Accum Units)	6	202.0	202.0	215.2	+2.0	0.66
Extra High Inc	6	63.58	64.91	69.42	+0.07	7.59
(Accum Units)	6	90.98	92.88	99.34	+0.1	7.59
Gilt & Fxd Int	4	46.68	46.68	48.71	-0.12	10.26
(Accum Units)	4	99.43	99.43	103.8	-0.2	10.26
High Yield	6	191.4	194.8	208.3	+0.7	5.89
(Accum Units)	6	388.2	394.9	422.4	+1.3	5.89
Income	6	234.7	237.9	254.4	+4.6	4.83
(Accum Units)	6	432.1	438.0	468.4	+8.4	4.83

Phillips & Drew Unit Managers Ltd (1400)F

14 Finsbury Square, London EC2A 1PD 071-628 6070

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Charities Fxd Int May 23	¼	90.30	90.30	90.65	.....	10.7
Charities Intl Utd May 23	¼	99.12	99.12	99.58	.....	2.6
UK Exempt May 24	¼	102.4	102.4	104.5	.....	5.6
Charities Intl May 25	¼	121.8	121.8	123.6	.....	2.6

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ψ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

FT MANAGED FUNDS SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-925-2128

Timberlake Trust Mngrs Ltd (0900)F
1 White Hart Yard, London SE1 1NX 071-407 5966

	Init Chge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Portfolio	2	92.78	92.78	98.49	-2.04	2.07

Touche Remnant Unit Tst Mngt Ltd (1600)F
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-248 1250
4 Hourly Pricing—12 Noon Historic

	Init Chge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
TR American Grth	5¼	48.89	48.89	52.14	+0.02	0
TR Eur Sp Sits Acc	5¼	46.20	46.20	49.11	+0.40	0
TR Eur Sp Sits Inc	5¼	45.30	45.30	48.16	+0.40	0
TR Far East Opp Inc	5¼	24.49	24.57	26.14	-0.18	–
TR Far East Opp Acc	5¼	24.49	24.57	26.14	-0.18	–
TR General Growth	5¼	75.38	75.38	80.14	+0.02	2.57
TR Global Tech	5¼	78.09	78.09	83.29	-0.27	0
TR Income Growth	5¼	86.65	86.65	92.18	+0.93	4.36
TR Income Monthly	4¼	51.72	51.72	55.02	-0.18	7.57
TR Japan Growth	7¼	85.75	85.75	91.08	-1.25	0
TR Oseas Growth	5¼	68.07	68.07	72.59	-0.19	0
TR Smaller Cos	5¼	75.24	75.24	80.04	+0.33	2.40
TR Special Opps	5¼	84.94	84.94	90.36	+0.15	1.55
TR Mgd Eq Fun Acc	3¼	35.44	35.44	37.70	+0.40	2.64
TR Mgd Eq Fun Inc	3¼	33.23	33.23	35.35	+0.40	2.64
TR Wwide Sp Sit Acc	5¼	38.94	38.94	41.53	-0.19	0
TR Wwide Sp Sit Inc	5¼	38.90	38.90	41.49	-0.19	0
TR Pension Portfolio						
TR American Grth §	6	29.16	29.55	31.32	-0.18	0
TR Eur Sp Sits §	6	36.46	37.02	39.24	+0.24	0
TR General Growth §	6	24.86	25.12	26.63	+0.06	0
TR Global Tech §	6	30.6	31.01	32.87	-0.46	0
TR Income Growth §	6	25.15	25.42	26.94	+0.16	0
TR Japan Growth §	6	26.83	27.06	28.49	-0.46	0
TR Mgd Equity §	6	27.02	27.31	28.95	+0.15	0
TR Overseas Growth §	6	29.11	29.5	31.27	-0.20	0
TR Smaller Cos §	6	17.73	17.92	18.99	+0.08	0
TR Special Opps §	6	17.45	17.63	18.69	+0.07	0
TR Stg Liquidity §	6	26.27	26.73	27.84	+0.08	0
TR Wwide Sp Sit §	6	31.58	32.05	33.95	-0.35	0

Trades Union Unit Tst Mngrs (1200)H
NLA Tower, Addiscombe Road, Croydon 081-686 4355

TUUT	5	246.8	252.3	265.5	+1.3	3.26

Trifon Fd Mngrs. Ltd. (1000)H

Thornton Unit Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Grs
Managed Exempt May 15	100.28	107.20	—	3.85
(Accum Units)	101.06	108.11	—	3.85

Touche Remnant Unit Tst Mngt Ltd

	Bid Price	Offer Price	+ or -	Yield Grs
TR Exempt European	1289	1373	—	1.39
TR Exempt Nth Amer	971	1004	—	3.23
TR Exempt Pac Basin	932	965	—	0

INSURANCES

AA Friendly Society
Investment Mngt M & G Inv Mngt Ltd

	Bid Price	Offer Price	+ or -	Yield Grs
AA Friendly Sy May 11	–	165.4	—	–

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

	Bid Price	Offer Price	+ or -	Yield Grs
Prop. Ser. 1	299.1	324.9	—	–
Equity Ser. 1	130.2	137.1	+0.2	–
Prop. Acc. Ser 2	460.9	485.2	-0.1	–
Equity Ser 2	151.0	159.0	+0.3	–
Selective Acc	346.3	364.6	—	–
Prop. Ser. 4	363.8	383.0	—	–
Equity Ser. 4	154.5	162.7	+0.2	–
Man. Ser. 4	443.4	466.8	+0.4	–
Fixed Int. Ser. 4	214.2	225.5	-1.5	–
Indexed Inv. Ser. 4	144.9	152.6	-0.5	–
American Ser. 4	325.4	342.6	-2.9	–
Japan Ser 4	305.7	321.8	-2.4	–
European Ser 4	129.5	136.4	+0.4	–
High Inc. Ser. 4	461.3	485.6	+2.1	–
Money Ser. 4	249.5	262.7	+0.6	–
Intl Ser. 4	114.9	121.0	-0.3	–
Custodian Ser. 4	104.1	109.6	-0.1	–
Pension Funds				
Property	647.9	682.1	—	–
Equity	1139.2	1199.2	+7.4	–

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

Continued on next page

FT MANAGED FUNDS SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-925-2128

Norwich Union Asset Management Ltd
PO Box 124 Norwich NR1 1JS 0603 683986

	Bid Price	Offer Price	+ or –	Yield Gross
NUAM Funds				
Managed Fund	64.4	69.8	+0.1	–
Stock Market Mgd Fund	65.3	68.7	+0.1	–
Equity Fund	69.2	72.9	+0.4	–
International Fund	63.0	66.3	–0.1	–
European Fund	75.2	79.1	+0.5	–
North American Fund	60.6	63.8	–0.6	–
Pacific Fund	66.7	70.2	–0.2	–
Property Fund	87.2	91.8	—	–
Fixed Interest Fund	49.8	52.5	—	–
Index linked Sec Fund	57.5	60.5	–0.1	–
Deposit Fund	63.0	66.4	+0.1	–
NUAM Retirement Plans				
Mixed Fund	71.7	75.5	+0.3	–
UK Ordinary Share Fd	80.0	84.2	+0.6	–
International Fund	66.7	70.2	–0.1	–
Property Fund	85.0	89.5	+0.1	–
Fixed Interest Fund	58.6	61.7	–0.1	–
Index Linked Sec Fund	60.4	63.5	–0.2	–
Deposit Fund	72.0	75.8	+0.1	–
NUAM (MF)				
Managed Fund	934.0	983.2	+2.8	–
Equity Fund	1891.2	1990.8	+12.5	–
International Fund	166.2	175.0	–0.2	–
Property Fund	551.5	580.6	+0.3	–
Fixed Interest Fund	373.1	392.8	–0.5	–
Index Linked Sec Fund	58.4	61.5	–0.2	–
Deposit Fund	258.8	272.5	+0.5	–

Norwich Union Life Insurance Soc.
Surrey Street, Norwich NR1 3NG 0603 622200

	Bid Price	Offer Price	+ or –	Yield Gross
Unitised Life				
With Profits Fd	101.42	106.76	+0.12	–
Managed Fd	92.13	96.98	+0.25	–
UK Ord Share Fd	92.32	97.18	+0.58	–
International Fd	93.65	98.58	–0.17	–
European Fd	107.48	113.14	+0.72	–
North American Fd	92.30	97.15	–0.88	–
Pacific Fd	84.53	88.98	–0.37	–
Property Fd	100.15	105.43	+0.07	–

Provident Life Assoc Ltd
Provident Way, Basingstoke

	Bid Price
Unit Fund (Mixed)	1043.0
Equity Fund	241.1
International Fd	160.0
Fixed Interest Fd	150.0
Property Fund	225.7
Index-Linked Fund	144.3
Deposit Fund	149.4
Pens. Mixed (Ord) Fd	250.3

Provident Mutual Life Assc. Assn.
William Rd, Hitchin, Herts SG4 0L

	Bid Price
Managed Ord	331.6
Managed Init	258.7
Equity Ord	467.4
Equity Init	364.6
Index Linked Gilt Ord	143.2
Index Linked Gilt Init	116.7
Overseas Equity Ord	299.5
Overseas Equity Init	233.7
Property Ord	221.1
Property Init	172.5
Fixed Interest Ord	170.6
Fixed Interest Init	133.1
Deposit Ord	156.9
Deposit Init	122.5
Pension Funds	
Managed Ord	415.0
Managed Init	323.8
Equity Ord	603.5
Equity Init	470.9

GUERNSEY (REGULATED)

OFFSHORE AND OVERSEAS

CANADA (SIB RECOGNISED)

MANAGEMENT SERVICES

GUERNSEY (SIB RECOGNISED)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-925-2128

Lazard Fund Managers – Contd.

Merrill Lynch Int Capital Mngt (GSY) Ltd

(For information only)

NM Financial Mngt Intl Ltd

John Govett – Contd.

Initial charge may alter for sales in other jurisdictions

Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F
PO Box 63, Bond Street, St. Helier, Jersey 0534 76029

Lloyds Bank (CI) U/T Mgrs.
PO Box 195, St Helier, Jersey 0534 27561

Dealing daily

Midland Bank Fund Managers (Jersey) Ltd
PO Box 26, St Helier, Jersey 0534 37788

MIM Britannia International (Jersey) Ltd
PO Box 271, St Helier, Jersey 0534 73114

Royal Trust Jsy Fd Mngt Ltd (1400)F
PO Box 428, St Helier, Jersey 0534 76077

TSB Trust Funds (CI)

JERSEY (REGULATED)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

Money Market Trust Funds

Money Market Bank Accounts

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

D-Mark improves as yen falls

THE D-MARK gained ground in quiet foreign exchange trading yesterday. Traders in Tokyo started the move by taking profits in the yen, after the Japanese currency's recent recovery against the D-Mark. This was largely an operation to window dress balance sheets as the end of the month approaches, but also reflected speculation in the Far East that West German interest rates could be forced higher.

Factors pushing the D-Mark up were, therefore, rather tenuous, with dealers in Frankfurt suggesting it is unlikely that the Bundesbank will increase official interest rates at present. The German authorities have allowed money market rates to ease in Frankfurt, partly by not seeking repayment of extra liquidity lent to banks last week. This does not seem to be the action of a central bank contemplating an immediate rise in rates.

Another factor which may hint that an increase in German rates is unlikely was yesterday's cut in the Belgian National Bank's money market intervention rates. The Belgian central bank has indicated its wish to tie the Belgian franc more closely to the D-Mark, and will almost certainly be forced to reverse yesterday's move if German rates rise.

This encouraged speculation that the D-Mark's improvement is likely to be short-lived, as worries about the implications of German monetary union continued to weigh against the currency.

The D-Mark remained relatively weak within the European Monetary System yesterday. It rose against the firm Italian lira to L735.53 from L734.60 at the Milan fixing, but eased back to close at L734.75 in London.

The French franc gave a similar performance. It rose to L218.21 from its EMS floor of L218.13 at the Milan fixing, but finished at L218.10 in London. There was no sign of intervention by the Italian or French central banks.

The dollar traded in a narrow range, lacking fresh economic factors. It fell briefly below DM1.6700, but rebounded to close in London at DM1.6720 compared with DM1.6820 on Friday and against DM1.6790 in Frankfurt on Monday. The dollar also fell to FFr5.6325 from FFr5.6650 and to SFr1.4095 from SFr1.4250, but rose to Y150.90 from Y149.70. According to the Bank of England the dollar's index was unchanged at 67.2.

Sterling showed mixed changes, as the impact of speculation about full British membership of the EMS tended to fade. UK Gross Domestic Product grew 0.4 per cent in the first quarter, down from revised 0.6 per cent growth in the fourth quarter of last year, but was still stronger than the figure expected by the market. The news had little impact on the pound. Sterling gained ⅕ cent to $1.6950 and improved to Y255.75 from Y253.00, but fell to DM2.8350 from DM2.8425; to FFr9.5475 from FFr9.5750; and to SFr2.3900 from SFr2.4075. On Bank of England figures the pound's index shed 0.2 to 88.9.

£ IN NEW YORK

May.29	Close	Previous Close
£ Spot	1.6935-1.6945	1.6895-1.6905
1 month	0.91-0.89pm	0.94-0.92pm
3 months	2.76-2.74pm	2.76-2.73pm
12 months	9.20-9.10pm	9.20-9.10pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	May.29	Previous
8.30 am	88.9	89.1
9.00 am	89.0	89.0
10.00 am	88.9	89.1
11.00 am	89.0	89.0
Noon	89.0	89.1
1.00 pm	89.0	89.1
2.00 pm	88.9	89.1
3.00 pm	88.9	89.1
4.00 pm	88.9	89.1

CURRENCY RATES

May.29	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling	-	0.780950	0.725240
U.S Dollar	7	1.32043	1.22783
Canadian $	13.32	1.56326	1.44945
Austrian Sch.	6½	15.6075	14.4368
Belgian Franc	10¼	N/A	42.2404
Danish Krone	10½	8.43821	7.81698
Deutsche Mark	6.00	2.21925	2.05171
Neth. Guilder	7.00	2.49759	2.31078
French Franc	10¼	7.47297	6.91637
Italian Lira	13½	1629.15	1509.13
Japanese Yen	5¼	198.659	185.366
Norway Krone	8	8.53526	7.91337
Spanish Peseta	-	138.192	127.891
Swedish Krona	11	8.03152	7.44557
Swiss Franc	6.00	1.87831	1.73186
Greek Drach.	20½	217.726	201.524
Irish Punt	-	0.829105	0.765671

† European Commission Calculations.
* All SDR rates are for May.25

CURRENCY MOVEMENTS

May.29	Bank of England Index	Morgan** Guaranty Changes %
Sterling	88.9	-22.6
U.S Dollar	67.2	-10.8
Canadian Dollar	102.9	-0.2
Austrian Schilling	109.5	+11.4
Belgian Franc	111.3	-2.3
Danish Krone	110.5	+4.8
Deutsche Mark	118.3	+24.0
Swiss Franc	114.7	+22.3
Guilder	114.4	+16.0
French Franc	104.2	-12.5

EURO-CURRENCY INTEREST RATES

May 29	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	15⅛-14⅞	15⅛-14⅞	15⅛-15	15⅛-15	15⅛-15	15⅛-14⅞
US Dollar	8⅜-8⅛	8¼-8⅛	8¼-8⅛	8¼-8⅛	8⅜-8¼	8½-8⅜
Can. Dollar	13¾-13½	13¾-13½	13⅝-13½	13⅝-13½	13½-13¼	13½-13¼
D. Guilder	8⅛-7¾	8⅛-7⅞	8-7⅞	8⅛-8	8¼-8⅛	8⅜-8¼
Sw. Franc	8¾-8½	8⅞-8⅝	8⅞-8⅝	8⅞-8⅝	8⅞-8⅝	8⅞-8⅝
Deutschmark	7⅞-7⅝	7⅞-7⅝	8⅛-7⅞	8¼-8⅛	8½-8⅜	8⅝-8½
Fr. Franc	9⅞-9⅝	9⅞-9⅝	9⅞-9¾	9⅞-9¾	10-9⅞	10⅛-10
Italian Lira	13-11	12¼-11¾	12-11½	12-11½	12-11¾	12¼-12⅛
Belgian Franc	10¾-10½	10-9¾	9⅞-9⅝	10-9¾	10⅜-10⅛	10⅝-10⅜
Yen	7⅞-7⅝	7⅞-7⅝	7⅜-7¼	7⅜-7¼	7⅜-7¼	7⅜-7¼
D.Krone	10⅝-10⅜	10⅝-10⅜	10⅝-10½	10⅝-10⅜	10⅝-10⅜	10⅝-10⅜
Asian $Sing	8¼-8	8¼-8⅛	8⅜-8¼	8⅜-8¼	8½-8⅜	8¾-8⅝

Long term Eurodollars: two years 9⅛-8⅞ per cent; three years 9¼-9⅛ per cent; four years 9⅜-9¼ per cent; five years 9½-9⅜ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT- FORWARD AGAINST THE POUND

May.29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6915 - 1.6965	1.6945 - 1.6955	0.91-0.89cpm	6.37	2.74-2.71pm	6.43
Canada	1.9945 - 2.0050	2.0005 - 2.0015	0.20-0.12cpm	0.96	0.59-0.46pm	1.05
Netherlands	3.18¼ - 3.19¾	3.18¾ - 3.19¾	1⅞-1¾cpm	6.82	5¼-5⅛pm	6.51
Belgium	58.10 - 58.45	58.25 - 58.35	28-17cpm	4.63	81-63pm	4.95
Denmark	10.76 - 10.80¼	10.77½ - 10.78½	4¼-3½orepm	4.32	12¾-10¼pm	4.27
Ireland	1.0540 - 1.0605	1.0555 - 1.0565	0.38-0.33pm	4.03	1.06-0.96pm	3.83
W. Germany	2.82½ - 2.83¾	2.83¼ - 2.83¾	1⅝-1½pfpm	6.63	4¾-4⅝pm	6.63
Portugal	248.15 - 250.10	249.10 - 250.10	4-14cdis	-0.43	71-99dis	-1.36
Spain	176.10 - 177.20	176.20 - 176.50	12-5cpm	0.58	26-17pm	0.49
Italy	2075¼ - 2083½	2081¼ - 2082¾	6-4½lirepm	3.03	17-15pm	3.08
Norway	10.89½ - 10.93½	10.90¼ - 10.91¼	3¾-2¾orepm	3.51	10-8⅞pm	3.46
France	9.52¼ - 9.55¼	9.54¼ - 9.55¼	4-3⅞cpm	4.96	12-11⅞pm	5.01
Sweden	10.25¼ - 10.29¾	10.26¾ - 10.27¾	2¾-1¾orepm	2.41	6-5¼pm	2.17
Japan	255 - 256¾	255¾ - 256¾	1⅝-1½ypm	7.33	4⅞-4¾pm	7.53
Austria	19.88 - 19.94	19.91 - 19.94	10⅝-9¾gropm	6.17	31⅜-29¼pm	6.08
Switzerland	2.38¼ - 2.39½	2.38½ - 2.39½	1¼-1⅛cpm	5.97	3⅝-3⅜pm	5.97
ECU	1.3770 - 1.3805	1.3795 - 1.3805	0.53-0.50cpm	4.48	1.60-1.55pm	4.57

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.29-5.14cpm 12 month 9.17-9.07cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

May.29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6915 - 1.6965	1.6945 - 1.6955	0.91-0.89cpm	6.37	2.74-2.71pm	6.43
Ireland†	1.6020 - 1.6060	1.6045 - 1.6055	0.34-0.29cpm	2.35	1.05-0.95pm	2.49
Canada	1.1775 - 1.1825	1.1810 - 1.1820	0.52-0.55cdis	-5.44	1.59-1.64dis	-5.47
Netherlands	1.8760 - 1.8840	1.8825 - 1.8835	0.04-0.02cpm	0.19	0.07-0.05pm	0.13
Belgium	34.30 - 34.45	34.35 - 34.45	2.00-8.00cdis	-1.74	8.00-18.00dis	-1.51
Denmark	6.35½ - 6.37½	6.35¾ - 6.36¼	1.00-1.30orecdis	-2.17	3.20-3.90dis	-2.23
W. Germany	1.6670 - 1.6740	1.6715 - 1.6725	0.04-0.02pfpm	0.22	0.07-0.05pm	0.14

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EMS EUROPEAN CURRENCY UNIT RATES

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

OTHER CURRENCIES

*Selling rate

EXCHANGE CROSS RATES

	£	$	DM	YEN	F Fr.	S Fr.	H Fl.
DM	0.353	0.598	1	90.23	3.368	0.843	[illegible]
YEN	3.909	6.626	11.08	1000.	37.33	9.343	[illegible]
F Fr.	1.047	1.775	2.969	267.9	10.	2.503	[illegible]
S Fr.	0.418	0.709	1.186	107.0	3.995	1	[illegible]
H Fl.	0.313	0.531	0.888	80.11	2.990	0.749	1
Lira	0.480	0.814	1.362	122.9	4.586	1.148	[illegible]
C $	0.500	0.847	1.417	127.8	4.772	1.194	[illegible]
B Fr.	1.715	2.907	4.863	438.8	16.38	4.099	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS · LIFFE US TREASURY BOND FUTURES OPTIONS · LIFFE BUND FUTURES OPTIONS · LIFFE EUROMARK OPTIONS · LIFFE EURODOLLAR OPTIONS · LIFFE SHORT STERLING OPTIONS

LONDON (LIFFE)

CHICAGO

PHILADELPHIA SE £/$ OPTIONS

10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES

OPTION ON LONG-TERM FRENCH BOND (MATIF)

THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate)

December	89.97	89.99	-0.01	90.01	89.97	10.00	2,535
March	-	-	-	-	-	10.01	174

Estimated volume 5,079 Total Open Interest 23,103

CAC-40 FUTURES (MATIF) Stock index

	Open	Close	Change	High	Low	Open Int.
May	2114.0	2128.0	+13.0	2128.5	2113.0	2,744
June	2119.0	2132.0	+12.5	2132.0	2118.0	2,853
July	2119.0	2130.0	+10.5	2130.0	2119.0	469
September	-	-	-	-	-	30

Estimated volume 5,073 Total Open Interest 6,076

BASE LENDING RATES

	%		%		%
ABN Bank	15	Coutts & Co	15	NatWestminster	15
Adam & Company	15	Cyprus Popular Bk	15	Northern Bank Ltd	15
Allied Trust Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
Allied Irish Bank	15	Duncan Lawrie	15	Provincial Bank PLC	16
● Henry Ansbacher	15	Equatorial Bank plc	15	Roxburghe G'rantee	15½
Associates Cap Corp	15½	Exeter Trust Ltd	15½	Royal Bk of Scotland	15
● B & C Merchant Bank	15	Financial & Gen. Bank	15	Royal Trust Bank	15
Bank of Baroda	15	First National Bank Plc.	16½	● Smith & Williamson Secs.	15
Banco Bilbao Vizcaya	15	● Robert Fleming & Co.	15	Standard Chartered	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs.	15½	TSB	15
Bank of Cyprus	15	Girobank	15	Unibank Plc	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk.	15	Westpac Bank Corp.	15
Benchmark Bank PLC	15	● Hill Samuel	§15	Whiteaway Laidlaw	15½
Brit. Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk. N. East	15	Mount Banking	15		
Co-operative Bank	*16	Nat Bk. of Kuwait	15		

● Members of British Merchant Banking & Securities Houses Association. * Deposit now 5.9% Savewise 8.5%. Top Tier-£50,000+ instant access 13.7% & Mortgage base rate. § Demand deposit 9%. Mortgage 15.2% - 15.95%

MONEY MARKETS

Slightly firmer tone

A WEAKENING of sterling against the D-Mark and stronger than expected UK first quarter GDP growth pushed interest rates up slightly in London yesterday. Three-month sterling interbank rose to 15⅛-15⅛ per cent from 15⅛-15⅛, while 12-month money was quoted at 15⅛-14⅞ per cent against 15⅛-14⅞.

Short sterling futures traded quietly on Liffe. The September contract opened easier at 85.29 and closed at 85.31 against at 85.30 previously.

UK clearing bank base lending rate 15 per cent from October 5

Day-to-day credit was in fairly short supply on the money market. The Bank of England initially forecast a shortage of £750m, but revised this to £700m at noon and to £800m in the afternoon. Total help of £638m was provided.

Before lunch the authorities bought £107m bills outright, by way of £63m bank bills in band 1 at 14⅞ per cent and £44m bank bills in band 2 at 14¾ per cent. In the afternoon another £286m bills were purchased outright, via £24m bank bills in band 1 at 14⅞ per cent and £262m bank bills in band 2 at 14¾ per cent. Late assistance of around £245m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £1,380m. This outweighed Exchequer transactions adding £110m to liquidity, a fall in the note circulation of £450m, and bank balances above target of £70m.

In Brussels the Belgian National Bank cut the rate on three-month Treasury certificates - the main instrument of monetary policy - by 0.10 per cent to 9.85 per cent. Similar cuts were made in the one-month rate to 9.75 per cent; the two-month rate to 9.80 per cent; and the four-month rate to 9.85 per cent.

In Frankfurt call money fell to 7.75 from 7.875 per cent as banks were well supplied with liquidity, and expected to have no problems meeting the Bundesbank's reserve requirement for May of DM59.1bn The average for the first 27 days of the month was DM59.2bn.

The market will not receive liquidity from a securities repurchase agreement tender this week and credit conditions are expected to tighten today as payments of pensions drain about DM8bn from the market. On the other hand, there is no expiring repurchase pact to refinance this week and money from the pension payments should flow back into the market tomorrow.

FT LONDON INTERBANK FIXING

MONEY RATES

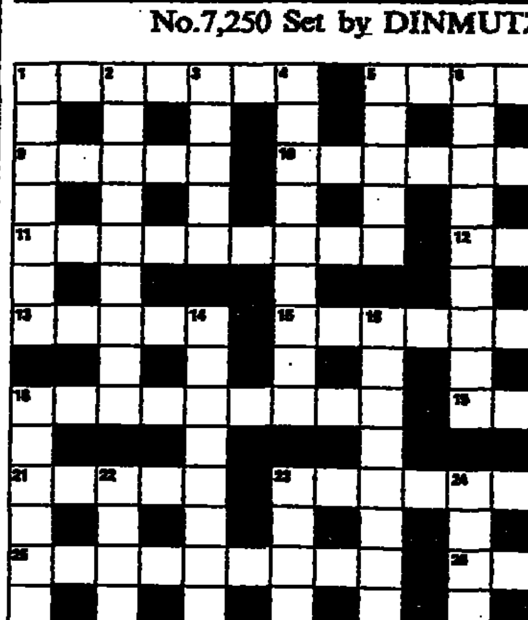
NEW YORK (4pm)

LONDON MONEY RATES

JOTTER PAD

CROSSWORD

No.7,250 Set by DINMUTZ



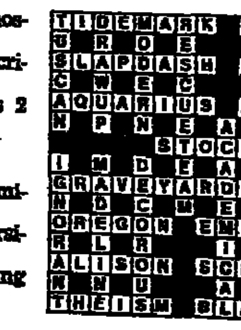
ACROSS

1 Faithful friend Bill detests? (7)
5 Half fare from Dublin, going by air (7)
9 Excursions in Loire town (5)
10 Meson, tenpenny article (1-8)
11 Incorrectly portrayed as hunting type (9)
12 Times to play (5)
13 You once led a way, as worker in brewery (5)
15 Catch Nell out in such a college (9)
18 Room for improvement in teams moving to left, for example (9)
19 Check with rook? (5)
21 It knocks down lots of people (5)
23 Unit for office or kitchen? (9)
25 Take out talking-bird stuck in cream (9)
26 Line of bushes forming hospital boundary (5)
27 Can be as great as a lacrimator (4,3)
28 Watchful old boy leaves 2 down, for example (7)

DOWN

1 Motor agent upset in examination of body (7)
2 28 given to prepatellar bursitis? (9)
3 Rigoletto's cast producing another opera (5)
4 Tall man wanted for cricket, for example (3-6)
5 Keen about Arizona? That's mad! (5)
6 Tom, given a shot in the arm, is in a trance (9)
7 Deputy doc? (5)
8 Particular policeman? (7)
14 Terry often seen on a horse (5)
16 Such clients can be ugly (8)
17 Dry places ruined this old timer (9)
18 For example, chaps in street – part cut off (7)
20 Anguish of chaps in the wrong (7)
22 Virginia holds mineral resource, there in France (5)
23 Works and amuses oneself (5)
24 Number three, it turns out (5)

Solution to Puzzle No.7,249



WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | FRANCE (continued) | GERMANY | GERMANY (continued) | ITALY | ITALY (continued) | NETHERLANDS | NORWAY | SPAIN | SWEDEN | SWITZERLAND | SOUTH AFRICA | JAPAN | AUSTRALIA | AUSTRALIA (continued) | HONG KONG | MALAYSIA | SINGAPORE

[illegible]

CANADA

TORONTO
Closing prices May 29

[illegible]

MONTREAL
Closing prices May 29

3689 DomTxtA	$11½	11¼	11½ − ⅛	
605 Donohue	$11	10½	10½ + ½	
4700 Memotec	$08½	08¼	08½ + ¼	
44204 NatBk Cda	$08⅝	08⅝	08⅝	
6114 Noverco	$14½	14½	14½	
11285 Power Corp	$15	14⅞	14⅞	
10808 Provigo	$08⅝	08⅝	08⅝ − ⅛	
10700 Quebecr A	$13⅛	13	13 + ⅛	
13175 Quebecr B	$11⅛	11	11 + ⅛	
4510 Videotron	$12⅛	12	12 − ¼	

Total Sales 5,826,135 shares.

INDICES

NEW YORK

DOW JONES	May 29	May 28	May 25	May 24	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2870.49	(c)	2820.92	2855.55	2870.49 (29/5)	2543.24 (30/1)	2870.49 (29/5/90)	41.22 (2/7/32)
Home Bonds	90.08	(c)	90.12	90.21	93.04 (3/1)	88.48 (2/5)	—	—
Transport	1162.52	(c)	1152.74	1159.50	1201.10 (2/1)	1031.83 (30/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	213.97	(c)	211.27	212.15	236.23 (2/1)	203.09 (30/4)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2816.65 (−) Low 2812.62 (−)

STANDARD AND POOR'S	May 29	May 28	May 25	May 24	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	360.65	(c)	354.58	358.41	360.65 (29/5)	322.98 (30/1)	360.65 (29/5/90)	4.40 (1/6/32)
Industrials	421.31	(c)	413.63	418.45	421.31 (29/5)	371.92 (30/1)	421.31 (29/5/90)	3.62 (21/6/32)
Financial	29.77	(c)	29.46	29.74	31.87 (3/1)	26.59 (27/4)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	196.57	(c)	193.71	195.47	198.00 (2/1)	178.43 (30/1)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	362.56	(c)	359.84	360.76	382.45 (5/1)	342.64 (24/4)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	457.51	(c)	453.69	458.29	460.90 (3/1)	410.72 (30/1)	485.73 (9/10/89)	54.87 (31/10/72)

	May 25	May 18	May 11	year ago (approx.)
Dow Industrial Div. Yield	4.01	3.99	3.93	3.38

	May 23	May 16	May 9	year ago (approx.)
S & P Industrial div. yield	2.94	2.98	3.07	3.21
S & P Indl. P/E ratio	16.08	15.49	15.20	12.86

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Varity	2,728,900	3⅛	+ ⅛
Royal Dutch	2,455,700	76⅝	+ 1¼
Philip Morris	2,441,600	42½	—
Texas Util.	1,972,000	36¼	—
IBM	1,959,900	119¼	+ 3½
Fst Interstate	1,871,900	37⅞	—
Gen. Motors	1,389,300	49½	+ ⅜
Glaxo	1,284,900	27⅝	+ 1
Navistar	1,135,600	4⅛	+ ⅛
Gen. Electric	1,102,800	69⅝	+ 1⅛

TRADING ACTIVITY

† Volume Millions	May 29	May 28	May 25
New York	137.410	-	120.250
Amex	10.271	-	9.725
NASDAQ	(u)	-	152.158
Issues Traded	1,988	-	1,981
Rises	1,107	-	534
Falls	427	-	944
Unchanged	454	-	503
New Highs	51	-	24
New Lows	31	-	32

CANADA

TORONTO	May 29	May 28	May 25	May 24	1990 HIGH	1990 LOW
Metals & Minerals	3125.30	3070.50	3062.00	3067.00	3453.05 (4/1)	2850.80 (23/4)
Composite	3524.30	3498.70	3494.70	3510.60	4009.47 (3/1)	3334.20 (1/5)
MONTREAL Portfolio	1817.56	1798.73	1795.98	1804.22	2060.90 (3/1)	1720.25 (27/4)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	May 29	May 28	May 25	May 24	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1495.0	1485.2	1479.8	1471.6	1713.7 (12/1)	1434.5 (30/4)
All Mining (1/1/80)	740.1	734.3	731.3	725.6	860.8 (5/1)	715.3 (1/5)
AUSTRIA						
Credit Aktien (30/12/84)	582.97	577.98	574.07	(c)	703.29 (19/3)	526.59 (2/1)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	6209.49	6178.85	(c)	(c)	6599.43 (12/1)	5568.16 (26/2)
DENMARK						
Copenhagen SE (3/1/83)	374.89	375.18	374.62	(c)	388.47 (28/3)	352.96 (25/4)
FINLAND						
Unitas General (1975)	573.7	571.4	575.3	576.1	677.3 (25/1)	562.2 (11/5)
FRANCE						
CAC General (31/12/82)	560.07	559.00	562.94	(c)	562.95 (23/5)	482.94 (26/2)
CAC 40 (31/12/87)	2123.09	2114.39	2111.90	(c)	2129.32 (20/4)	1800.32 (26/2)
GERMANY						
FAZ Aktien (31/12/58)	783.99	772.66	774.78	(c)	830.92 (3/4)	732.71 (24/1)
Commerzbank (1/12/53)	2271.9	2237.1	2242.8	(c)	2414.0 (3/4)	2151.5 (24/1)
DAX (30/12/87)	1842.74	1828.96	1823.17	(c)	1968.55 (30/3)	1756.41 (24/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3048.55	(c)	3059.50	3048.03	3067.67 (19/4)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1657.73	(c)	1646.87	1643.80	1893.10 (22/1)	1582.61 (2/5)
ITALY						
Banca Com. Ital. (1972)	739.18	736.59	738.80	736.73	739.18 (29/5)	646.73 (26/2)
JAPAN						
Nikkei (16/5/49)	32817.67	33191.61	32793.88	32311.75	38712.88 (4/1)	28002.07 (2/4)
Tokyo SE (Topix) (4/1/68)	2411.66	2434.05	2419.94	2395.90	2867.70 (4/1)	2058.82 (5/4)
2nd Section (4/1/68)	3886.37	3884.38	3892.85	3893.60	4284.68 (9/2)	3313.92 (5/4)
MALAYSIA						
KLSE Composite (4/4/86)	581.80	586.04	586.51	586.73	622.20 (20/2)	518.53 (2/5)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	265.7	264.5	264.8	(c)	269.0 (3/1)	240.1 (26/2)
CBS All Shr (End 1983)	198.2	197.3	197.5	(c)	206.3 (3/1)	184.2 (26/2)
NORWAY						
Oslo SE (Ind) (2/1/83)	849.83	845.62	851.75	(c)	857.22 (22/5)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	860.72	883.23	903.61	874.89	1160.70 (21/3)	860.72 (29/5)
SINGAPORE						
SES All-Singapore (2/4/75)	435.86	435.61	437.39	438.40	443.34 (6/2)	401.34 (30/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1669.0♦	1641.0	1630.0	(c)	2230.0 (16/1)	1629.0 (23/5)
JSE Industrial (28/9/78)	2927.0♦	2914.0	2916.0	(c)	3211.0 (6/2)	2794.0 (25/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	783.87	778.25	790.73	785.79	928.82 (4/1)	688.66 (30/4)
SPAIN						
Madrid SE (30/12/85)	281.41	280.61	281.41	282.40	302.85 (4/1)	248.17 (2/4)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	1273.2	1272.6	1262.00	(c)	1317.88 (12/1)	1127.20 (2/4)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	805.3	794.4	794.3	(c)	794.4 (28/5)	737.6 (27/3)
TAIWAN**						
Weighted Price (30/6/66)	6703.06	(c)	6146.44	6587.77	12495.34 (10/2)	6146.44 (25/5)
THAILAND						
Bangkok SET (30/4/75)	975.50	983.07	976.83	971.33	983.07 (28/5)	760.39 (7/2)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	523.1	521.2	519.7	571.8 (4/1)	468.3 (2/4)

**Saturday May 26: Taiwan Weighted Price: 6303.75. Korea Comp Ex. 783.74
♦ Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX—1,000, JSE Gold—255.7, JSE 26 Industrials — 264.3 and Australia All Ordinary and Mining — 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Tuesday May 29 1990

	Stocks Traded	Closing Prices	Change on day
Sanyo Elec	39.7m	986	-10
Mitsui Eng&Shp	35.1m	1,020	-30
NKK	29.8m	691	-22
Nippon Steel	21.3m	618	-17
Shimizu Corp	17.6m	2,090	+50
MHI	15.6m	1,030	-20
Furukawa Elec	12.8m	958	-19
Sharp	11.4m	1,840	+40
Hitachi Zosen	11.2m	871	-29
Ohbayashi Corp	10.9m	1,710	-30

AMEX COMPOSITE PRICES

4pm prices May 29

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
AT&E			4872	u22⅞	21	22⅞	+2⅛
ATT Fd2.30e			122	57⅞	55½	57⅛	+ ⅛
Acton		18	210	11⅛	d11	11⅛	− ⅛
[illegible]							

4pm prices May 29

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	20¼	AAR	.48	2.2	13	374	21¾	21⅛	21¾	+ ⅛
8⅝	8	ACM n	1.01	12.		190	8⅝	8½	8⅝	– ⅛
11⅝	9⅞	ACMIn	1.26	13.		574	9⅞	9¾	9⅞	+ ⅛
9⅞	7¾	ACM M	n1.01	13.		299	7⅞	7⅞	7⅞	+ ⅛
12⅛	10	ACMMM				166	10⅜	10⅜	10⅜	+ ⅛
11½	9½	ACM Sc	1.25	13.		1407	9⅝	9½	9⅝	+ ⅛
9⅝	8⅛	ACMSp	1.01	12.		445	8⅝	8¼	8¼	– ⅛
22⅞	14⅜	AL Lab	.16	.7	27	253	u23½	21⅞	23¼	+ 1½
5⅞	2⅛	AM Intl				569	2⅞	2⅛	2⅞	
23⅝	10⅛	AM In pf	2	17.		80	11⅝	11½	11⅝	+ ⅛
107⅞	52½	AMR			12	1714	64⅝	63⅝	64½	+ ⅝
24⅞	22⅛	ANR pf	2.12	9.2		115	23	23	23	+ ⅛
4⅛	3	ARX				65	3½	3⅜	3½	+ ⅛
72¼	39½	ASA	3a	6.1		644	50½	49½	49½	– ½
74½	55¼	AbtLab	1.68	2.3	19	3880	u74⅝	73⅛	74½	+ 1⅜
37½	27⅞	AbtLb wi				34	37⅞	36⅞	37⅞	+ ½
16⅞	11¼	AbtIbl g	.50			46	13	12⅞	13	+ ⅛
13	8⅜	AcmeC	.40	4.3	11	362	9⅜	9	9⅜	
9¼	7⅞	AcmeE	.32	3.5	11	75	9⅛	8⅞	9⅛	+ ⅛
41⅞	28⅞	Acuson			24	668	40⅞	40⅜	40⅜	
18½	13¼	AdaEx	2.08e	13.		97	16⅛	15⅞	16	+ ⅛
15⅝	9¼	Adobe				63	12	11¾	11⅞	
20¼	17⅞	Adob pf	1.84	9.7		24	19	19	19	
21⅝	20¼	Adob pf	2.40	11.		12	21¼	21	21	
11¼	6⅞	AMD			29	5260	11¼	10½	11	+ ⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 45

NYSE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

Continued from previous Page

[illegible]

NASDAQ NATIONAL MARKET

3pm prices May 29

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

AMERICA

Dow soars to new record high on technology

Wall Street

SOME bargain hunting after last Friday's sharp drop turned into more sustained buying, led by a rebound in technology issues, particularly IBM, and sent the Dow Jones Industrial Average soaring to another record high, *writes Janet Bush in New York.*

The Dow Jones Industrial Average closed 49.57 points higher at 2,870.49 but volume was low at 137m shares. The Dow had slumped 34.63 points to close at 2,820.92 on Friday, before the three-day Memorial Day weekend.

The Standard and Poor's 500 Index closed 6.07 points higher at 360.64, significantly also a record high.

The buying was not limited to blue chips which have been outperforming other broader indices lately. The Nasdaq Composite of over-the-counter stocks profited from a recovery in technology and computer issues and was quoted 3.82 points higher at 457.51.

Technology issues, which rallied throughout most of last week only to falter as the week drew to a close, have been a leading indicator of the general trend of the market. While technology issues were still in demand, the broad market appears to have had considerable resilience.

Yesterday's strong performance was led by IBM which was the subject of a highly positive front page story in the weekly business magazine Barron's which said that the company may be free of the difficulties which have weighed on its share price in recent years.

IBM jumped $3¾ to $119¾, Compaq Computer rose$2 to $120⅞ and Digital Equipment gained $2¼ to $94¾. On the OTC market, Sun Microsystems was up $¼ to $30⅛ and Apple Computer added $1 to $41. Adobe Systems, whose disappointing profits forecast caused the crack in technology issues last week, jumped back $2⅞ to $37⅞.

Outside the technology sector, the broad market was also encouraged by a firmer bond market and a recovery in the dollar.

The Treasury's benchmark long bond was quoted ¾ point higher in late dealings to yield 8.63 per cent while the US currency climbed above the key Y150 level to Y151.25 in late business.

Financial markets are this week expected to trade fairly cautiously in advance of Friday's May employment release. The rally in the bond market in recent weeks and the climb to record high levels by the Dow Jones Industrial Average was triggered by April's weak release which suggested that the US Federal Reserve may move to loosen monetary policy.

It is for this reason that Friday's employment report has assumed even more importance for the financial markets than usual.

Today sees the release of US leading indicators for April which are expected to have fallen by around 0.2 per cent after rising 0.9 per cent in March and dropping 1 per cent in February.

Canada

TORONTO stocks staged a late session rally, boosted by strong gains in transportation and mining stocks, but trading was slow.

The composite index gained 25.52 to 3,524.20 on volume of 19.1m. Advancers led declines by 307 to 276.

Transportation stocks rose 2.08 per cent while mining issues gained 1.79 per cent. Industrial and consumer product issues, energy stocks and banking issues also posted gains while gold issues were flat.

SOUTH AFRICA

DE BEERS rose R2.16 to R101.50 on news that a consortium's scheme to separate the shares of De Beers from its offshore arm had been aborted. Elsewhere, shares were quietly firmer. The overall index rose 28 to 3,193.

ASIA PACIFIC

Nikkei's rise checked by fall of yen and profit-taking

Tokyo

THE MARKET'S extended rise was checked yesterday as the yen fell and profit-taking hit a wide range of issues which had shown good rises recently, *writes Michiyo Nakamoto in Tokyo.*

After Monday's rise, which took the Nikkei average over 33,000, caution set in and prompted selling from the start of trading. The Nikkei dipped below 33,000 by the morning close and fell to a low of 32,776.60 during the day before closing down 373.94 at 32,817.67, against a high of 33,203.75.

Declines led advances by 650 to 327 with 154 unchanged, and turnover rose from 750m to 800m shares. The Topix index of all listed stocks fell 22.39 to 2,411.66 and, in London, the ISE/Nikkei 50 index closed down 4.89 at 1,801.91.

It was expected that investors would take profits as soon as the market posted a substantial gain, in order to cover some of the big losses incurred during the market's collapse earlier this year. Yesterday's profit-taking coincided with a fall in the yen, whose recent rise had underpinned the market's strength; its fall prompted a downturn in bond prices, which added to the wary mood on the equity market. On the whole, however, analysts expect the yen to remain fairly firm. Interest rates, they said, are unlikely to fall soon, but expected at least to stabilise at current levels.

Equities, meanwhile, according to one analyst at a foreign firm, are likely to fluctuate for some time in the 33,000 to 34,000 range, as that is the range that constitutes a break-even point for many portfolios. Buying is likely to be wide-ranging but selective, as investors look for companies with good fundamentals.

Profit-taking undermined heavy industrials, which had gained recently on strong earnings. Mitsui Engineering and Shipbuilding, second in volume with 35.1m shares, lost Y30 to Y1,020. NKK followed on the volumes list with 29.8m shares and fell Y22 to Y691.

Interest centred on Sanyo Electric, which topped the actives list with 39.7m shares. The company has been favoured for its development of solar batteries, which investors expect to be a promising product in the light of rising concern over exhaust gases. News that General Motors has developed an electric car, for example, has prompted speculation that demand for clean energy sources, such as solar batteries, will be strong in future.

Huge buy orders for Sanyo made it necessary for the stock exchange to suspend trading in the issue during the day when it rose Y4 to Y1,000. Profit-taking, however, took Sanyo to Y986, down Y10 at the close.

The construction sector, which has attracted attention on reports of strong earnings, was mixed. Shimizu, saw doubled pre-tax profits, advanced Y50 to Y2,090 but Ohbayashi came under selling pressure and closed with a loss of Y30 at Y1,710.

In Osaka, buying of special situations helped contain losses from profit-taking, and the OSE average fell only 10.97 to 35,167.10. Volume slipped to 73.5m shares from 88.6m traded on Monday.

Roundup

A one-day holiday served to turn Taiwan and Hong Kong on their axes yesterday, although the former tried to continue its decline, and the latter was almost rescued by bargain hunters.

TAIWAN's weighted index registered a gain of 399.31 or 6.33 per cent to 6,703.06. Volume rose to 1.32bn shares and NT$79.6bn from Saturday's 795m and NT$43.23bn.

After a drop of 17.2 per cent in the week to last Friday, the market tried to fall further yesterday. The intraday low was 6,176.27, down 127.48, after about 600 demonstrators clashed with police yesterday outside the legislative Yuan, when the vote was to be taken on Defence Minister Hau Pei-tsun's appointment as premier. However, big investors then seemed to take the view that the market was oversold.

HONG KONG's bargain hunters came in after a sharp early bout of profit-taking. After a six-day rally in which it gained 142 points, the Hang Seng index ended 10.95 lower at 3,048.55. Turnover, though the lowest in a week, was moderately active at HK$1.17bn, down from Friday's HK$1.6bn. The initial selling was encouraged by reports that Cheung Kong and Hutchison Whampoa would have to share profits on a large housing development with Shell Hong Kong, the vendor of the land. Cheung Kong fell 30 cents to HK$12.00, but Hutchison ended steady at HK$10.80 after an intraday loss of 20 cents.

MANILA extended Monday's sharp decline in a late sales after a thin day's trading. The composite index dropped 20.51, or 2.3 per cent to a new 15-month low of 860.72. Turnover collapsed to 301m shares worth 56m pesos, from 875m and 189m pesos the day before.

Elsewhere, SEOUL rose moderately in thin volume, the composite index rising 5.64 to 783.87. AUSTRALIA edged higher on Tuesday for a third consecutive session, the All Ordinaries index closing 9.8 better at 1,495.0 as turnover rose from 64m shares and A$121m to 77m and A$176m. NEW ZEALAND's Barclays index closed 15.67 points, higher at 1,781.47.

EUROPE

Revelry in Zurich outshines the Frankfurt recovery

AN EXTENSION of the technical recovery in Frankfurt yesterday was outshone by Zurich, which revelled in an inflow of foreign investment, *writes Our Markets Staff.*

FRANKFURT extended Monday's late gains in slightly more positive style, although its enthusiasm seemed to diminish in afternoon. After a midsession rise of 11.33 to 783.99 in the FAZ index, the DAX closed 13.78 higher at 1,842.74, following an intraday high of 1,852.91.

Volume rose from DM3.6bn to DM6.3bn, and the big buy order for Volkswagen noted on Monday left it at the top of yesterday's most active stocks list, in turnover of DM1.02bn compared with DM581m for Siemens, which came second.

VW, another DM5.50 better at DM604.50, is beginning to threaten its 1990 high of DM619.50; Siemens, just DM1.80 better at DM721.80, is much nearer its low of DM703.50 after a revision of analysts' forecasts for the current year.

However, much of the individual price activity at the moment is seen as technical, a matter of small buy or sell orders sometimes having an inordinate effect on prices.

Yesterday's big movers were in construction, where Philipp Holzmann rose DM90 to DM1,580 and Hochtief DM45 to DM1,360; and in engineering, where KHD put on DM7 to DM277. and MAN DM11.50 to DM479.50. MAN rose as analysts mused that the Cartel Office's planned block on the takeover, jointly with Daimler, of 80 per cent of Enasa in Spain could be positive for the bidders' shares. Daimler rose DM11 to DM824.

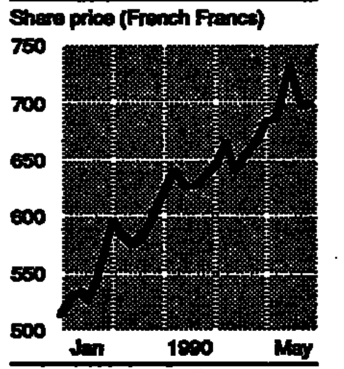
PARIS saw Elf and its subsidiary, Elf Gabon, make a brisk recovery on news that oil production in the African state would resume after recent unrest there. Elf was also in the limelight on renewed talk that it would make a full bid ofr Enterprise Oil of the UK, of which it already owns 24.5 per cent. Elf closed FFr4 higher at FFr700 on heavy trade of 285,400 shares while Elf Gabon rose FFFr59 to FFr1,230.

The CAC 40 index closed 8.7 better at 2,123.09, near the day's high of 2,125.45, but trading was light. Some brokers were getting nervous about the French market since many stocks were due to go ex-dividend over the next few weeks. From a technical point of view, the CAC 40 index was looking vulnerable as the gap between the five-day and 20-day average widened.

However, there was selective interest in laggards. Saint-Gobain, which was sold heavily at the end of April after the market decided it had paid too much for Norton, the US abrasives manufacturer, rose FFr2 to FFr590.

ELF Aquitaine

Share price (French Francs)



Eurotunnel was the most sought-after issue, gaining FFr2 to FFr53 with over 500,000 shares changing hands on news that the company would get fresh capital from the European Investment Bank.

MILAN resumed its upward trend, after a pause for breath on Monday, on expectations that the mutual fund data due out at the beginning of June would show a positive cash flow. The Comit index added 2.59 to 739.18. But some analysts were worried that the market was becoming too frothy and noted that foreign buying had dwindled.

The smaller banks continued to make strides, supported by the successful launch in London of a closed-end fund for these stocks, lead managed by Hoare Govett, co-managed by Swiss Bank Corp and Kleinwort Benson and administered through Milan brokers Akros.

The insurers helped lead the market higher, with Generali rising L280 to L43,240 and Fondiaria gaining L100 to L63,000. But the paper manufacturer, Burgo, lost L88 to L5,782 as speculative buyers made an exodus after news that theFiat investment company, Gemina, had acquired a controlling interest. Montedison added L10 to L2,012 and reached L2,085 after hours on hopes of an early settlement over control of Enimont.

ZURICH played host to the foreign investors who have been absent from Frankfurt. A rally which began with blue chips extended to second-tier stocks by the close, when the Crédit Suisse index was 8.4 higher at 649.4.

Foods, chemicals, banks and insurance shares all did well, the latter two sectors on the view that Swiss interest rates had peaked; individual situations included Brown Boveri bearers, up SFr150 to SFr6,075 after Asea Brown Boveri, its international joint venture with Asea, put out a good profits performance for 1989, and a forecast for 1990.

The cement producer, Holderbank, rose SFr125 to SFr6,550 after results and a forecast which were similarly pleasing to the market.

STOCKHOLM went on a downtrend, the Affärsvärlden general index closing 9.7 lower at 1262.9 after seven consecutive days on the upgrade. In that mood, it decided that the Asea Brown Boveri figures which Zurich liked were way below expectations in their Swedish form, and Asea shares fell SKr18 to SKr775.

Meanwhile, Astra, the pharmaceutical company, again had the largest turnover of the session, gaining SKr2 to SKr590 on the success of its ulcer drug Losec.

AMSTERDAM firmed in dull trading. The CBS Tendency index added 0.7 to 120.00. Verkade, the chocolate and biscuit manufacturer, remained suspended as United Biscuits of the UK raised its bid for the company from Fl 400 to Fl 447 in order to win over a group of dissenting shareholders. Mr Ian Blackford of UBS Phillips and Drew said that the sweetened bid was a rare victory for minority shareholders, and an encouraging sign for the Dutch market in its attempts to become more liberalised.

Insurance stocks remained in favour, with Aegon adding Fl 2.20 to Fl 124.70 and NatNed, due to report first quarter results today, up 20 cents at Fl 75.60. Bols, the distiller, built on Monday's gains to close Fl 2.50 higher at Fl 186 while Grolsch, the brewer, rose Fl 3 to Fl 145.

MADRID closed the continuous trading session with slight gains, though worries about the strength of the peseta kept a lid on the market. The general index ended 0.80 higher at 281.41, an improvement of 1.06 since the close of pit trade.

Wall St rally fails to lift markets

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1990	Start of 1990	Start of 1990
Austria	-0.65	-5.66	+74.75	+31.90	+26.38	+32.45
Belgium	-1.49	+1.08	-4.38	-6.46	-8.16	-3.75
Denmark	+2.12	+4.48	+23.16	+2.65	+0.70	+5.54
Finland	-1.28	+5.22	-13.58	+0.27	-1.85	+2.87
France	+0.62	+2.04	+19.28	+3.81	+1.15	+6.01
W. Germany	-1.54	+0.60	+33.75	+3.35	-0.82	+3.94
Ireland	+0.35	-0.49	+10.71	-3.04	-5.01	-0.45
Italy	+2.09	+6.50	+20.49	+4.78	+2.65	+7.58
Netherlands	+0.75	+3.02	+2.88	-4.02	-7.53	-3.08
Norway	+0.38	+8.77	+20.46	+17.79	+14.56	+20.07
Spain	-1.31	+2.65	-10.57	-7.75	-7.82	-3.40
Sweden	+3.31	+10.85	+18.76	+7.93	+4.67	+9.70
Switzerland	+0.79	+8.25	+18.63	-0.73	+2.52	+7.44
UK	+0.15	+7.26	+3.48	-6.74	-6.74	-2.26
EUROPE	+0.10	+4.58	+11.51	-1.73	-3.15	+1.50
Australia	+0.46	+2.20	-1.44	-8.81	-15.36	-11.30
Hong Kong	+4.36	+2.57	+9.60	+7.92	+3.26	+8.23
Japan	+1.54	+9.24	-7.94	-16.75	-23.70	-20.03
Malaysia	+3.84	+12.04	+34.03	+2.24	-2.41	+2.28
New Zealand	-1.54	+3.59	-2.16	-9.90	-16.20	-12.18
Singapore	+1.31	+11.47	+26.04	+13.46	+11.39	+16.74
Canada	-0.24	+5.36	-2.61	-9.42	-15.44	-11.37
USA	+0.13	+7.75	+10.20	+0.26	-4.34	+0.26
Mexico	+5.32	+30.40	+174.92	+71.66	+55.68	+63.16
South Africa	-1.31	+4.97	+37.85	+7.63	-8.57	-4.18
WORLD INDEX	+0.65	+7.30	+2.86	-7.29	-12.39	-8.17

† Based on May 25th 1990. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Ltd

By Antonia Sharpe

IN a week which saw Wall Street reach record highs and Tokyo make a solid advance on greatly improved turnover, the overall performance of world equity markets was generally muted. The FT-Actuaries World index rose only 0.65 per cent, perhaps because most of Europe was closed on Thursday for Ascension Day.

Hong Kong and Malaysia provided the best individual results over the last week. In Hong Kong, share prices rose strongly in anticipation that the US would renew China's preferential trading status for another 12 months. But some analysts feel that the best might now be over.

Mr David Bates at First Pacific Securities says Hong Kong has seen a correction from an oversold position. Investors are now likely to defect to other markets in the region, for example Thailand where a decision by the Government to ease foreign exchange controls has sent shares to meteoric heights. Hong Kong might have to wait until the release of first half corporate results in September before it can make further significant gains, says Mr Bates.

Malaysia's sprint was mainly due to interest in plantation stocks, on speculation that arable land in the Kelang valley would be redeveloped as industrial sites. Firmer rubber and palm oil prices and news of a reduction in the stockpile of palm oil also boosted these commodity-based stocks.

In Europe, West Germany was depressed by the cost of German unity and a downgrading of earnings projections for Siemens. "German equities have still to face up to the full cost of fiscal reunification and the prospect of bond yields heading over 9 per cent," writes Ms Lisa Hosking of S.G. Warburg Securities. Sweden, by contrast, was buoyed by a cut in the discount rate and more good news for the market's favourites, Astra and Ericsson.

UBS Phillips & Drew spotlights Switzerland as a market ready to run again after a week of consolidation, on expectations of easing interest rates and hopes for a better inflation figure in May.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY MAY 29 1990						MONDAY MAY 28 1990			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (81)	134.79	+0.4	117.89	116.95	+0.6	5.94	134.28	117.80	116.19	158.31	125.85	131.89
Austria (19)	245.11	+1.6	214.40	212.85	+0.9	1.27	241.33	211.71	210.95	285.63	193.15	116.53
Belgium (61)	150.78	+1.3	131.88	127.91	+0.7	4.51	148.87	130.60	127.02	160.02	132.11	126.97
Canada (119)	135.95	+0.8	118.91	116.31	+0.6	3.52	134.87	118.32	115.63	153.81	130.37	136.19
Denmark (33)	257.04	+0.6	224.82	222.34	−0.1	1.29	255.63	224.26	222.51	280.82	236.69	172.56
Finland (26)	137.78	+0.5	120.51	113.45	+0.0	2.41	137.12	120.29	113.40	152.29	129.98	143.42
France (125)	167.13	+1.0	146.19	147.67	+0.5	2.78	165.40	145.11	146.98	168.85	141.69	115.78
West Germany (93)	131.27	+2.1	114.82	114.10	+1.5	1.98	128.60	112.82	112.45	137.71	122.05	82.17
Hong Kong (46)	126.44	−0.3	110.59	126.31	−0.3	4.92	126.77	111.21	126.67	126.90	112.24	118.19
Ireland (17)	183.66	+1.6	160.64	161.24	+1.0	2.72	180.73	158.55	159.66	198.57	172.72	137.25
Italy (96)	106.67	+0.7	93.31	97.87	+0.2	2.43	105.89	92.90	97.67	108.67	91.85	76.39
Japan (454)	154.92	−1.9	135.50	147.77	−1.1	0.56	157.86	138.49	149.38	197.26	124.40	177.86
Malaysia (35)	232.59	−0.7	203.44	241.90	−0.6	2.23	234.26	205.51	243.38	245.32	204.15	179.30
Mexico (13)	531.19	+0.0	464.62	1644.47	+0.1	0.32	531.05	465.88	1643.17	531.19	324.53	224.01
Netherland (43)	140.82	+1.0	123.18	121.03	+0.5	4.66	139.46	122.34	120.46	145.66	130.43	114.34
New Zealand (17)	63.90	+0.9	55.89	59.02	+0.7	7.45	63.31	55.54	58.62	75.36	59.57	64.94
Norway (23)	241.84	+0.8	211.53	211.31	+0.3	1.50	239.95	210.50	210.72	245.90	202.34	177.75
Singapore (25)	206.98	+0.1	181.04	176.27	+0.1	1.91	206.87	181.48	176.06	207.28	179.70	158.08
South Africa (60)	195.48	+3.8	170.98	165.30	+1.0	3.60	188.32	165.21	163.67	251.39	173.80	130.46
Spain (42)	159.21	+1.1	139.26	125.32	+0.3	4.24	157.54	138.21	124.96	165.19	132.84	144.51
Sweden (35)	210.25	−0.2	183.90	188.62	−0.7	2.14	210.67	184.82	190.01	210.67	173.89	158.01
Switzerland (66)	104.09	+3.0	91.04	90.95	+1.9	2.27	101.07	88.67	89.29	104.09	88.75	89.57
United Kingdom (305)	157.44	+1.5	137.71	137.71	+1.2	4.86	155.12	136.08	136.08	164.31	139.87	137.96
USA (537)	145.76	+1.6	127.49	145.76	+1.6	3.33	143.42	125.82	143.42	145.76	130.61	130.11
Europe (964)	146.64	+1.5	128.26	127.32	+1.0	3.55	144.52	126.79	126.12	146.66	135.57	113.32
Nordic (117)	203.95	+0.2	178.39	172.52	−0.3	1.74	203.45	178.48	173.07	203.95	185.01	150.74
Pacific Basin (660)	153.12	−1.7	133.93	145.65	−1.0	0.87	155.82	136.70	147.10	192.75	124.63	173.45
Euro-Pacific (1644)	150.89	−0.5	131.98	138.68	−0.2	1.93	151.64	133.03	139.01	174.18	130.36	149.42
North America (656)	145.07	+1.6	126.89	143.80	+1.6	3.34	142.81	125.28	141.58	145.78	131.02	130.38
Europe Ex. UK (679)	138.33	+1.4	121.00	120.58	+0.8	2.74	136.36	119.63	119.61	139.50	124.81	97.86
Pacific Ex. Japan (206)	130.97	+0.1	114.56	118.19	+0.2	5.15	130.81	114.76	117.90	139.32	122.53	122.94
World Ex. US (1836)	151.04	−0.4	132.11	138.58	−0.2	1.99	151.65	133.04	138.85	173.77	131.30	148.82
World Ex. UK (2068)	147.12	+0.2	128.68	141.19	+0.3	2.19	146.90	128.87	140.72	162.00	130.80	141.46
World Ex. So. Af. (2313)	147.73	+0.3	129.22	140.64	+0.4	2.44	147.36	129.28	140.06	161.84	131.95	141.21
World Ex. Japan (1919)	145.92	+1.5	127.63	137.44	+1.3	3.49	143.76	126.12	135.72	145.92	134.82	123.81
The World Index (2373)	148.02	+0.3	129.47	140.81	+0.4	2.45	147.61	129.50	140.23	162.05	132.25	141.14